

MBOMBELA LOCAL MUNICIPALITY



ANNUAL REPORT

PERIOD: 01 July 2008 TO 30 June 2009

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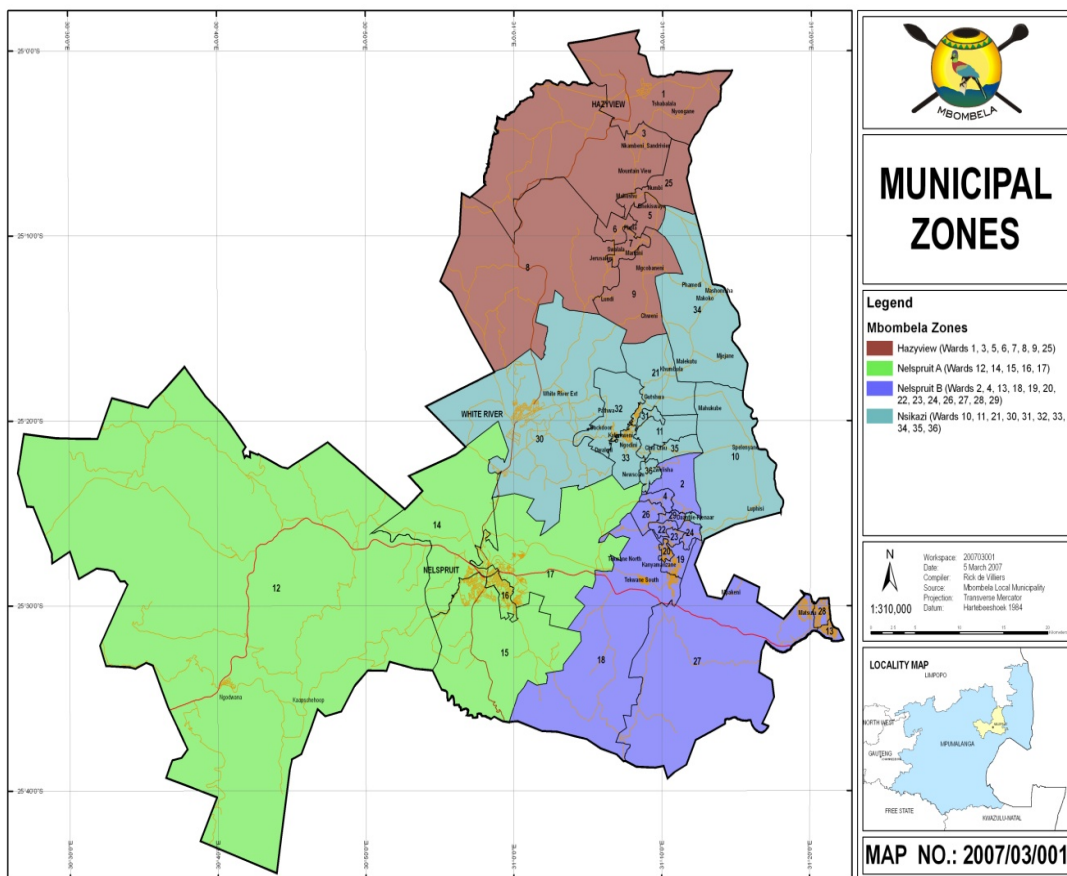
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1. OVERVIEW OF THE MUNICIPALITY

1.1 MUNICIPAL GEOGRAPHIC PROFILE

Mbombela Local Municipality is situated in the North Eastern part of South Africa within the Lowveld sub region of the Mpumalanga Province. The Metropolitan areas of Pretoria and Johannesburg are located 320 km inland, with the border post at Komatipoort approximately 120 km to the east and the Mozambican coastline being around 200 km away. Urban areas in Mbombela include Nelspruit, White River, Hazyview, Kabokweni, Tekwane, KaNyamazane and Matsulu as well as other peri-urban areas situated mainly in the eastern parts of Mbombela.

Figure 1: Mbombela Local Municipality Zones



Source: Municipal Geographical Information System (2007)

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The Municipality is made of 36 Wards and is divided into four zones; namely, Nelspruit A & B, Nsikazi and Hazyview which are grouped as follow:

Table 1: Four Municipal Zones,36 Wards and Areas

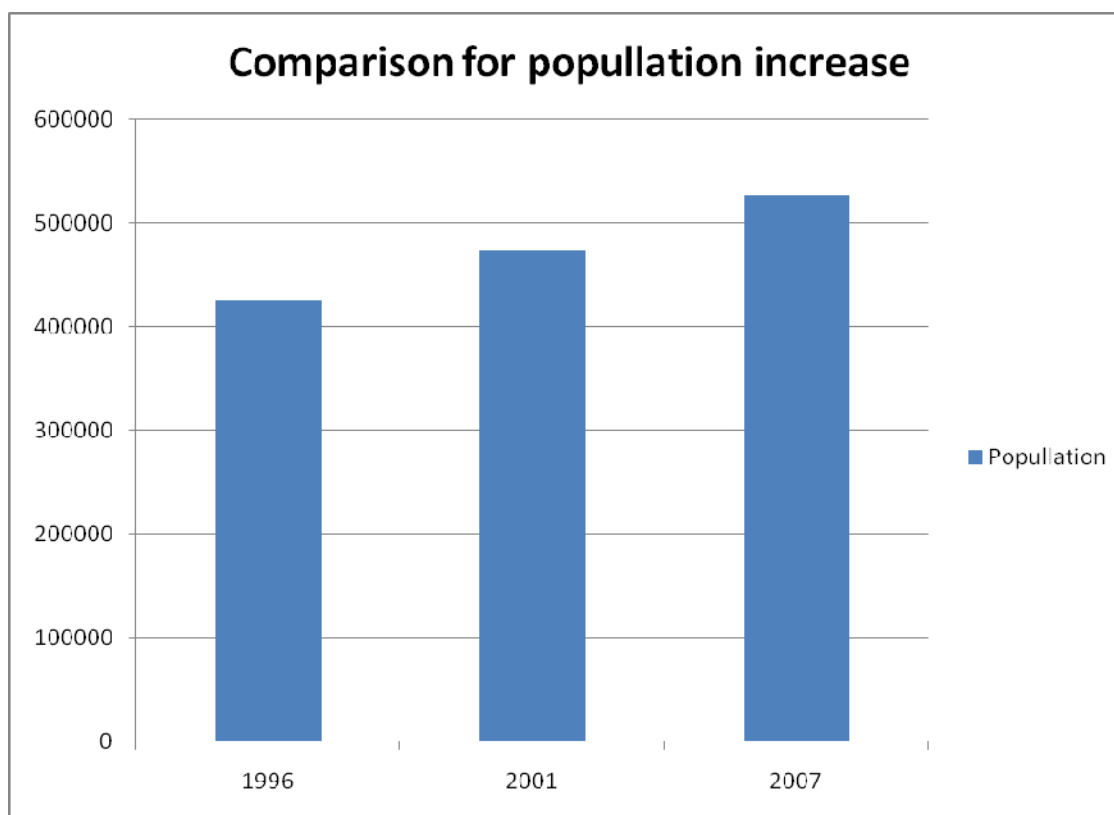
Municipal Zone	Wards	Areas
1. Hazyview	1, 3, 5, 6,7,8,9 and 25.	Shabalala, Nyongane, Nkambeni, Mahushu, Kiepersol & surrounding farms, Numbi Park, Kamhatseni/ Lindokuhle, Los, Thulula, Madala, Mhlambanyatsi, Khombindlela, Hlobotane, Bekiswayo, Salubindza, Phola, Mshadza, Swalala, Stadium, Dingindoda, Nkanini, Bhodlindlala, Feb, Sukani, Ivory, Easycome, Emafifty, Manzini, Chochocho, Ethunzini, Jerusalem, part of Mganduzweni, Phelandaba, Ekhaya, Mganduzweni, Hillsview, Mgcobaneni, Nkanini, Msogwaba, Duma and Maminza.
2. Nelspruit A	12, 14,15,16,17	Elandshoek, Cairn, Schoemanskloof, Schagan, Ngodwana, Kaaschehoop, Brondal, Glenthorpe, Emgababa, Mashobodo, Alkmaar (Kambuyisa), KaBhamtjie, Mattafin, Skomplaas, Woodhouse, Nelspruit Ext 13, Halls & Sons, Newscom, Nelspruit CBD & Town, West Acres, Steiltes, Uitkyk, Nelspruit, Bergen Bos, Nelspruit Satellite, Nelsville, Valencia, Kamagugu, Lihawu, Mamelody, Croc Valley (Mayfern), Alko Farm (Kingston valley), Fissagie, Emoyeni, Boschrand, Karino Farm and Friedenheim farms.
3. Nelspruit B	2,4,13,18,19,20, 22, 23, 24,26,27 , 28 and 29.	Zwelisha, Msogwaba, Part of Clau-Clau, Zwelisha part of Msogwaba, Gedlembane, Lihawu East, Ka Alice, Somcuba, Kalubisi, Vukasambe, Matsulu A, Mandela Park, Veza, KaNyamazane South (i&ii), Tekwane North & West, Tekwane South & East, Mara Farms, KaNyamazane (iii&iv), KaNyamazane (v & vi), Shishila, Enyokeni, Daantjie, Gonhoza, Tiga, Part of KaNyamazane (vi), Luphisi, Part of Daantjie, Bongindlala, Sibuyile, Nkomeni, Block C, Sidungeni, Mthethomusha, Ncakini, Duma, Maminza, Matsulu, Mbokodo, Mphakeni, Ekukhanyeni, Mkwakhweni, Emagamusini, Gugulethu, Zola, Muzimusha, Thulani, Masakhane, Nkululeko, Mashomamini, Daantjie, Mkhumula Kheza
4. Nsikazi	10, 11, 21, 30, 31, 32, 33, 34, 35 and 36.	Malekutu, Buyelani, Sphelanyane, Mafampisa, Mvangatini, Mjejane, Nkohlakalo, Thembisa, TV, Ermelo, Gutshwakop, Gutshwa, Khumbula, Mahukube, Sifunindlela, Bhayizane, Zwide, Lusha Park, Silingane, Riverside, Skhomkwane, White River, Kingsview, White River Country Estate, farms and holdings, Rocky Drift, Primkop, Phumulani, Katoen, Yaverland, Half way, Bhunga, Lindela, Backdoor, Dwaleni, Emhlumeni, Mbonisweni, Phola Park, Smokey Valley, Teka Tako, Thembelihle, Phatwa, Plaston, Kabokweni & Industrial, Ngodini, Makoko, Phameni, Chweni, Numbi, Clau-Clau, Ngulubeni, Newscom, Zwelisha, Part of Msogwaba and Part of Clau-Clau.

1.2 Demographic Profile

4.1.1 Population size, age and gender profile

The Statistics SA 2007 community survey 2007 estimated the population of 527,203 and a number of household as 137,353 equating to average household size of 3,84 persons. This means that the population has increased by 50610 from 476,593 of 2001 Statistics data (Stats SA,2001) Contributing factors might be the fertility & mortality rates, migration and influx to increasing residential and business development in the Municipality. A further research on life expectancy, mortality rate and other factors need to be conducted in detail.

Figure 2: Comparison of population estimated for 1996, 2001 and 2006



Sources: Statistics SA Community survey (2001 and 2007)

Table 2: Population size (estimate), age distribution and gender

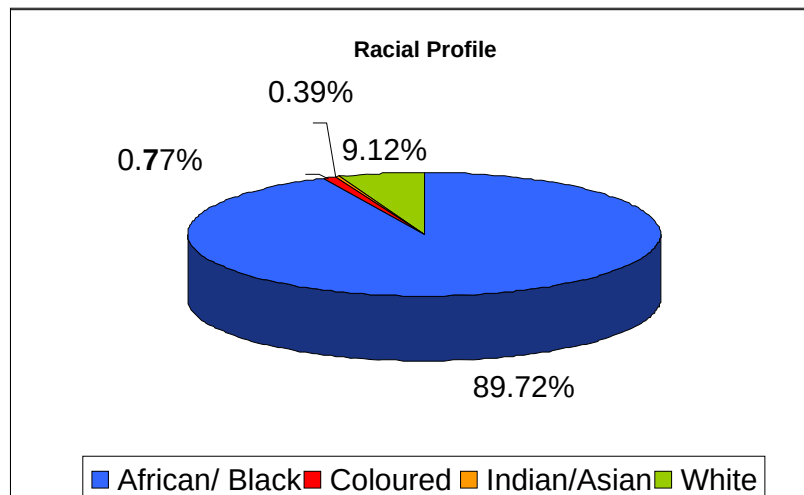
Description		Number
Age	Aged Residents >80	46692
	Middle Aged Residents > 50	71092
	Youth Residents >35	409419
Total		527,203
Gender	Female Residents	267,516
	Male Residents	259,687
Total		527,203

Source: Statistics South Africa (2007)

The highest population in Mbombela Local Municipality is the youth residents' age of 35 below contributing to 409419 (%). Females residents contributes 267,516 (50.74%) while male 259,687 (49.26%) of the entire population. The above requires the Municipality to co-ordinate various programmes to support females and youth in skills development, job creation and provision of basic services.

Racial profile

Figure 3: Racial Profile



Source: Census 2001

Statistics community survey (Stats SA) indicated that the Municipality has 473,027 (89,72%) Africans/Blacks, 48,091(9, 12%) Whites, 4,040(0, 77%) Coloureds and 2,046(0, 39%) Indian or Asian. The dominating language is SiSwati (89%), followed by Afrikaans (5%), English (3%) and 1% for IsiZulu, Sepedi and Sesotho

1.2. Socio Economic Profile

1.2.1 Employment Profile

The eligible employed work force is estimated to be 165,594 (50.19%). The number of unemployed permanent residents in Mbombela is estimated to be 52,290(15.85%). This equates to the not economically active residents of approximately 112,071(33.97%) in 2007. A highest unemployment is experienced in Nelspruit B, Hazyview and Nsikazi Zones.

Personal Monthly Income

The number of personal with an income less than R1 600 per month constitutes 41.3% and those who have no income is 42.60% of the total population in Mbombela. Only 11.45% of all earn more than R3 500 per month

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Table 3: Personal Monthly Income

Description	Number	Percentage
No Income	222,666	42.60%
R 1- R400	113,409	21.70%
R401- R800	38,245	7.32%
R801- R1600	64,225	12.29%
R1601-R 3200	24,311	4.65%
R3201-R6400	17,524	3.35%
R6401- R12800	18,027	3.45%
R1201-R25600	9,817	1.88
R25601- R51200	2,692	0.51%
R51201- R102400	612	0.12%
R102401- R 204800	230	0.04%
R204801 or more	67	0.01%
Response not given	10,897	2.08%
Total	522,722	100%

Source: Statistics SA (2007)

From the above figure, Mbombela have more household earning less than R 1100.00 per month as compared to those who are earning more than 204 801 or more per month.. The increase of more jobs and implementation of Spatial Development Framework strategies and the Local Economic Development Strategies will enable households of the above to be able to pay for Municipal services as their livelihood and affordability would be improved. There above description with low income households are also entitled to the Free Basic Services offered by the Municipality however the lack or non availability of basic services infrastructure limits the provision of such services.

Occupational Profile

Table 4: Occupational profile

Category of Occupation	Number	Percentage
Legislators, senior officials and managers	15,234	9.02%
Professionals	16,037	9.50%
Technicians and associate professionals	10,882	6.44%
Clerks	12,509	7.41%
Service workers, ship and market sales workers	16,424	9.73%
Skilled agricultural and fishery workers	9,437	5.59%
Craft and related trades workers	22,807	13.51%
Plant and machine operators and assemblers	11,816	7.00%
Elementary occupations	32,225	19.08%
Occupation unspecified and not elsewhere	21,496	12.73%

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classified		
Total	168,867	32.03%

Source: Statistics S A (2007)

1.2.2 HIV/AIDS Prevalence

The LED Strategy based on Quantec Research (2007) (based on methodology applied by Actuarial Society of South Africa (ASSA,2006)) estimated 65 369 residents of Mbombela living with HIV/AIDS, meaning 9,87% of the Mbombela Population being infected with HIV/AIDS. The figures also indicate that since 2001 until 2004, the number of residents infected by the disease has grown by 5.1%.

Level of Education

According to Census 2001 the level of education in the Municipality, 3% of the population of sampled population of 476 592 have no schooling, 9% primary, 10% Grade 12/ Standard 12. Poverty and lack of access to educational facilities might be a contributing factor. Most wards raised the need to have primary and secondary schools to increase access of education in the Municipality.

Other training programmes like ABET and FET Colleges will be of assistance to adults who never had schooling due to past education systems. A higher percentage of non applicable population is of concern as it affects the entire education picture of the Municipality.

According to the Municipal LED strategy (2007) (Source: Urban Econ Calculations based on Quantec Research 2007 and Census 2001), the percentage of people aged 20+ with no schooling is estimated to 24,8%, some primary at 15,4%, completed primary 5,9%, some secondary at 24,7%, Std 10/ Grade12 at 7,6% and higher 7,6%

Health

Mbombela has two district hospitals (Rob Ferreira and Themba), one TB Hospital (Bongani), and three private hospitals. Overall, there are a large number of government health care facilities, and for most areas there is at least one health care facility within 5 to 10km. Despite the large number of health care facilities, the level of services provided in the rural areas is limited and based on that communities requested 24 hour services and existing clinics to be equipped. The emergency services are under-resourced, and there are insufficient health education programmes.

1.3 MUNICIPAL INSTITUTIONAL PROFILE

1.3.1 MUNICIPALITY VISION

Together in partnership, building a model African City of Excellence.

1.3.2 MUNICIPALITY MISSION

A vision-inspired, high performing and learning municipality that excels in development facilitation and sustainable service delivery through Batho Pele and sound corporate governance principles.

1.3.3 MUNICIPALITY CORE VALUES: "THE PEACE"

- T: Transparency
- H: Honesty
- E: Empathy
- P: Passion
- E: Efficiency
- A: Accountability
- C: Commitment
- E: Excellence

1.4. MUNICIPAL COUNCIL OBJECTIVES

The municipality through its endeavour to provide service delivery to its constituents after being placed under administration until 30 September 2008, developed a strategy to turn around the municipality's service delivery provision. The strategy, known as Sakha iMbombela, is a roadmap to a better tomorrow, which creates a platform for partnerships and a foundation for a sustainable and integrated community development.

The following six strategic objectives were identified as critical priorities for the Municipality within the remaining term of office, to address the issues outlined in the turn-around strategy:

- To build a strong and sustainable governance and institutional structures arrangements
- To strengthen the delivery of basic services and ensure sustained infrastructure development
- To ensure a sound and legally complaint system of financial management and viability
- To redefine strategic macro-leadership and coordinating structures involving the local, District, Provincial and National government
- To initiate a strong and sustainable Local/ Regional Development potential
- To formulate a broad over-arching human capital development

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- In order for the municipality to achieve the above objectives, a set of key performance areas were identified, detailed as follows:

1.5 MUNICIPAL CORPORATE STRATEGIC GOALS

The following are the 7 unifying Strategic Goals in line with the Municipal Key Performance Areas:

- To be among the top 10 SA municipalities as measured against the national performance benchmarks;
- To create a clean, safe environment for residents and visitors to work, live and play without threat to themselves and properties;
- To eradicate poverty through a conducive climate for investment and job creation in the municipality;
- To ensure a universal provision of basic services to our customers in meeting the millennium development goals;
- To increase citizen participation in the planning and evaluation of municipal programs;
- To strengthen organisational integrity and viability through the implementation of best policies, processes and practices that enhance good governance and
- To create a beneficial legacy through meeting all requirements in the FIFA agreement pertaining to the successful hosting of the 2010 soccer world cup.

2. PERFORMANCE HIGHLIGHTS

Table 5: Comparison of performance in 2007/2008 and 2008/2009 financial years

Indicator	Achievements for 2007/2008 financial year	Achievements for 2008/2009 financial year
Number of new households with access to water	3530 household connections and 20 standpipes	2000 households
Number of new households with access to sanitation	4143	2737
Number of new households with access to electricity	775	0
Number of new households with access to refuse removal services	6089	1 664
Length of Roads and storm water built	7km	6.3km
Number of new houses built	1582	242

Water

At the beginning of the financial year, it was estimated that about 70 463 households within the municipality did not have access to potable water. Furthermore, community members mentioned lack of water supply, water shortage, poor water quality, interrupted supply and need for household connections as main priority areas that the municipality must address. As a response, the municipality made 2000 new connections to households.

Challenges

- Access to raw water supply
- Lack of equitable distribution of water
- Lack of sustainable water supply
- Insufficient funding on bulk infrastructure
- Illegal connections (for car washes and household consumption)

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Sanitation

Sanitation backlog at the start of the financial year was at 129 659 households. In this case, the municipality responded by providing 2737 households with Ventilated Pit Latrine (VIP) toilets.

Electricity

The current electricity connection backlog is 19040 households. New electricity connections and installation of streetlights were not completed as reflected below.

- Number of new connections = 0 households (all electrification projects were rolled over to 2009/2010 financial year)
- Number of households that benefited from 50kWh of free electricity per month: 6483 households

Roads and Storm Water

- There is a total length of 1645km gravel roads in Mbombela and 164km bus route that are regarded as backlog. 6.3km of new roads were constructed during the financial year.

Housing

The housing backlog was 33028 at the start of the financial year, where 242 houses were completed during the financial year.

Building Plan Approvals

Table 6: Building plan approvals for 2008/2009 financial year

Number of Outstanding Applications on the 01 st July 2008	Category	Number of new applications approved during 2008/2009	Total value of applications approved (Rand)	Applications outstanding on the 30 th June 2009
856	Residential new	491	R392992902.00	296
539	Residential additions	394	R1185140.00	130
37	Industrial/Commercial	44	R44988202.00	111
113	Other (Swimming pools, lapa, cellular phone masts, etc.)	14	R561350.00	25

The average time taken to approve building plans is according to the NBR. Therefore, for less than 500square metres it takes 30 days for approval and for square metres bigger than 500 its 60 or more days.

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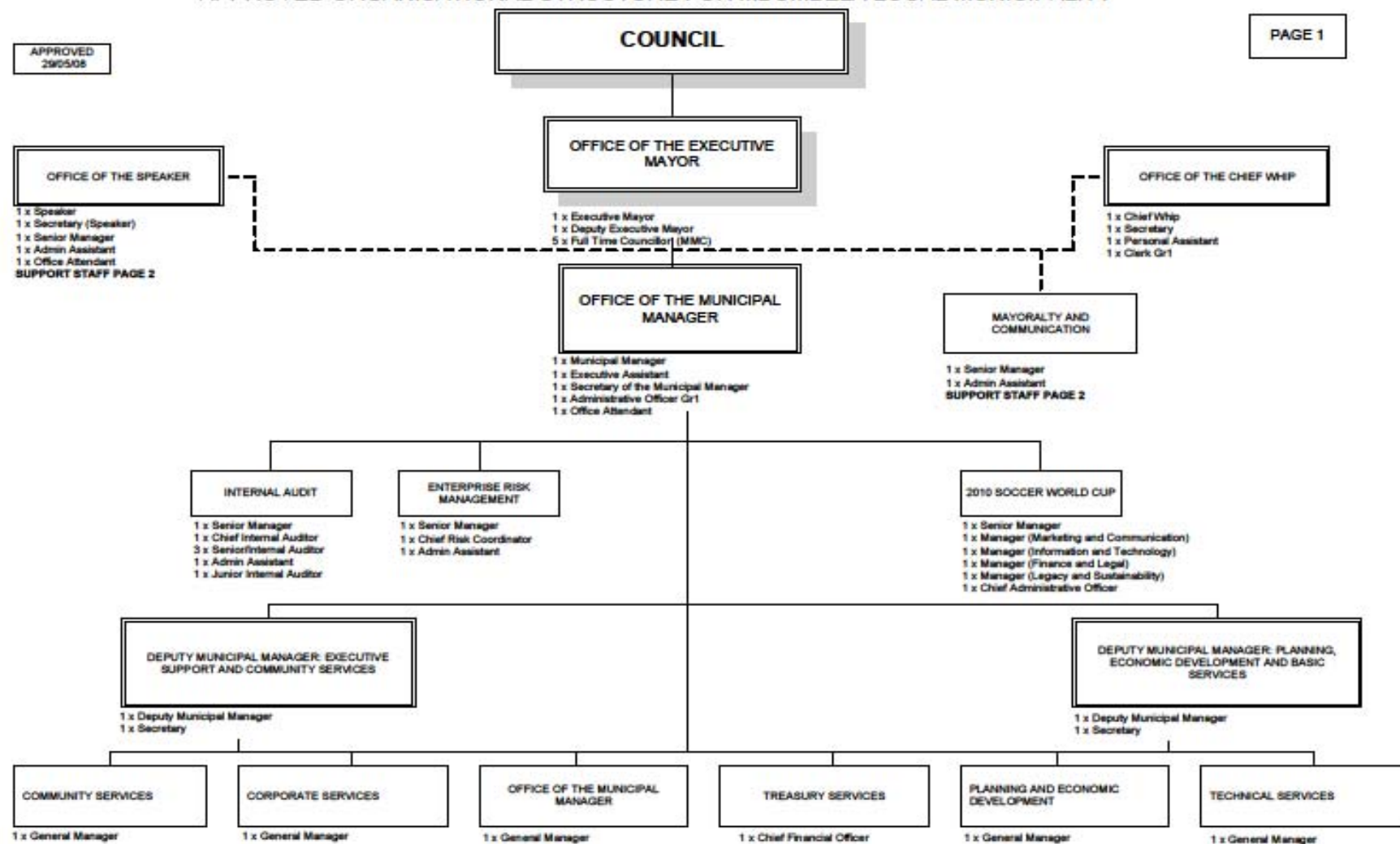
Table 7: The table below is a comparison of the number of new building plan applications approved in 2007/2008 and 2008/2009 financial years.

Category	Number of new applications approved during 2007/2008	Number of new applications approved during 2008/2009
Residential new	1098	491
Residential additions	523	394
Industrial/Commercial	41	44
Other (Swimming pools, lapa, cellular phone masts, etc.)	74	14

3. HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

The organisational structure for the municipality was adopted by Council on the 29th May 2008.

APPROVED ORGANISATIONAL STRUCTURE FOR MBOMBELA LOCAL MUNICIPALITY



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POST ESTABLISHMENT REPORT FOR THE 2008/2009 FINANCIAL YEAR

Table 8: Post Establishment Report for the 2008/2009 Financial Year

Department	Number of Filled positions	Number of funded Vacant positions	Number of Unfunded Vacant positions	Total
Office of the Municipal Manager	51	8	33	92
Treasury Services	126	20	90	236
Corporate Services	52	5	31	88
Office of the Deputy MM	0	0	2	2
Technical Services	403	95	234	732
Community Services	687	116	382	1185
Planning & Economic Development	59	10	42	111
Deputy MM Executive Support Community Services	2	0	0	2
TOTAL	1380	254	814	2448

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Workforce Profile

Occupational Categories

Table 9: The table below is a reflection of occupational categories of employees for period 1 July 2008 to 30 June 2009

Occupational Categories	Designated							Non-designated			TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Legislators, senior officials and managers	16			4			1	5			26
Professionals	34			15	2		4	14			69
Technicians and associate professionals	46			15	2		2	23			88
Clerks	53	1		83	8	1	24	6			176
Service and sales workers	178	3		89	3	2	6	18			299
Skilled agricultural and fishery workers	87			38				3			128
Craft and related trades workers	73	1	1	3				4			82
Plant and machine operators and assemblers	90	1	1	1				1			94
Elementary occupations	293			102							395
TOTAL PERMANENT	870	6	2	350	15	3	37	74			1357
Non – permanent employees	37	1		45			5	1			89
GRAND TOTAL	907	7	2	395	15	3	42	75			1446

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Occupational levels

Table 10: The table below is a reflection of occupational levels of employees for period 1 July 2008 to 30 June 2009

Occupational Levels	Designated							Non-designated			TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Top management	5			1							6
Senior management	11			3			1	5			20
Professionally qualified and experienced specialists and mid-management	74			34	4		9	39			160
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	196	5	2	132	11	3	27	29			405
Semi-skilled and discretionary decision making	190	1		33				1			225
Unskilled and defined decision making	394			147							541
TOTAL PERMANENT	870	6	2	350	15	3	37	74			1357
Non – permanent employees	37	1		45			5	1			89
GRAND TOTAL	907	7	2	395	15	3	42	75			1446

Pension Funds

Mbombela Local Municipality employees' pension funds are administered under the following schemes:

- National Fund of Municipal Workers (NFMW)
- Municipal Employees Pension Fund (MEPF)
- Municipal Gratuity Fund (MGF)
- SAMWU Pension Fund (SAMWUPF)
- Municipal Councillors Pension Fund
- Joint Municipal Pension Fund
- Government Employees Pension Fund

Medical Aid Schemes

The following medical aid schemes were utilised by Mbombela Local Municipality's officials for the 2008/2009 financial year.

- Hosmed Medical Scheme
- Discovery Medical Scheme
- SAMWUMed Medical Scheme
- Bonitas Medical Scheme
- KeyHealth Medical Scheme

Table 11: Internal and External Bursary Information (Comparisons between 2007/2008 and 2008/2009 financial years)

NUMBER OF INTERNAL BURSARIES APPROVED IN 2008	NUMBER OF INTERNAL BURSARIES APPROVED IN 2009	NUMBER OF EXTERNAL BURSARIES APPROVED IN 2008	NUMBER OF EXTERNAL BURSARIES APPROVED IN 2009
40	71	4	7

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4. MUNICIPAL PERFORMANCE PER KEY PERFORMANCE AREAS AND DEPARTMENTS

The service delivery reporting is consolidated according to the following five key performance areas as stipulated in the Municipal Performance Regulations promulgated by the Minister of Provincial and Local Government in August 2006, the 2008/2009 Municipal Integrated Development Plan (IDP) and the 2008/2009 Service Delivery and Budget implementation Plan.

- **Basic Service Delivery:** focuses on provision of water, sanitation, electricity, roads, storm water, refuse removal, formalisation of land, provision of social amenities like parks, sports, community halls, libraries and emergency services.
- **Local Economic Development:** Support and monitoring of LED projects, co-ordination and facilitation of Municipal programmes for economic development.
- **Municipal Institutional Development and Transformation:** Human Resource Management & Development.
- **Municipal Financial Viability and Management:** Implementation of improved revenue strategies, Property Rates Act, financial planning & budgeting, financial governance, supply chain, fleet, Logistics and asset management.
- **Good Governance and Public Participation:** Internal audit, Public Participation, Communication, Municipal Intergovernmental and International Relations, Strategic Planning and Performance Management

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4.1 KPA 1: BASIC SERVICES: TECHNICAL SERVICES DEPARTMENT

Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual 2008/9performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
TECHNICAL SERVICES							
To ensure the provision of sufficient bulk electricity from ESKOM	Electricity Bulk Capacity-notified maximum demand nmd (MVA)	Electricity	144	Target not achieved. However, a number of meetings were held with Eskom to try to expedite the upgrading process.	Eskom has moved the date to upgrade the in feed substation.	Continuous follow up with Eskom.	Technical Services
To reduce electricity losses to within 5%	Unaccounted for electricity (non technical)	Electricity	8%	Target not achieved. However, a service provider has been appointed to install smart metering units	Staff shortage to deal with revenue protection issues	Restructure the Org structure to create Metering and Revenue capacity/unit in the 2009/2010 financial year.	Technical Services
To reduce the base load power consumption by 10%	Reduction in base load power consumption (once off)	Electricity	10%	Target not achieved. However, a tender was called for Demand Side Management strategy and initiatives underway to implement automatic meter infrastructure	The tender for demand side management strategy was re-advertised due lack of qualifying consultants and will be finalised in the 4th quarter	A consultant has been appointed.	Technical Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual 2008/9performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
TECHNICAL SERVICES							
To provide a legal electricity connection to all households	Number of households that were provided with a legal electricity connection, for the first time, during the period	Electricity	1500	Target not achieved. However, three out of the four tenders were awarded and they will be completed in the first quarter of 2009/2010 financial year. Process in place to finalise the fourth tenders after more funding was allocated.	The contractor's appointment was delayed due to funding shortfall. The number of houses in Entokozweni is less than previously anticipated.	Additional funding has been allocated by council. A process to finalise the fourth tender is in place.	Technical Services
To ensure that all streets have adequate street lighting	Length of street with adequate street lighting as a percentage of total street length.	Electricity	21	Target not achieved. Only one contractor was appointed due to financial shortfall.	The appointment of the second contractor was delayed due to funding shortfall and additional funding was approved during the budget adjustment.	Additional funding has been allocated by council. A process to finalise the fourth tender is in place.	Technical Services
To ensure the delivery of basic services to households	New electricity connections delivered in FY as a percentage of backlog in 2001	Electricity	25%	Target not achieved. The number of household electrification is depended on the availability of funding. Funds were allocated on 1600 connections. All projects are funded by MLM and there was no funding allocation from DME due to the 2010 stadium funding from DME.	More funding is required in order to do more connections. The number of connections will increase after the 2010 substation is complete because a lot of funding is allocated for the substation.	additional funding has been allocated by council. A process to finalise the fourth tender is in place.	Technical Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual 2008/9performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
TECHNICAL SERVICES							
To reduce electricity losses	Metering efficiency (the percent of total electricity generated and/or purchased that is supplied and metered) - technical+non technical	Electricity	85%	Target not achieved. However, funding was applied for to deal with demand side management and energy efficiency with National Treasury.	Monitoring equipment and calculation models not in place. Installation of Automatic meter infrastructure in process.	Procure relevant equipment and development of calculation models and request funds in the 2009/2010 financial year..	Technical Services
To ensure the delivery of basic services to households	Power interruptions: number of electricity supply minutes lost in FY	Electricity	24	Relevant electronic management system not in place, however call are logged with the Electrical Engineering Department and the Fire Department after hours for attendance. Logging of calls is handled manually. Planned outages are publicised in the local media news papers.	Absence of a relevant system	Procure relevant system (by other department). Facility Management and Community Services department were requested to investigate a suitable system for municipal use.	Technical Services
To increase electricity bulk infrastructure by 15%	Electricity Bulk Capacity-installed capacity (MVA)	Electricity	340	Target not achieved. However, a 2010 substation is progressing well. Anderson s/s on tender. Valencia & Town North substations on design and EIA stage. West Acres s/s contract was terminated. Rocky's Drift on design stage.	Finalise over head line servitude for the 2010 electrical s/s, EIA requirements, and failure by the contractor on the west acres substation contract.	Fast track negotiation for the acquisition of servitude, appoint EIA specialist and advertise the west acres tender and Rocky's drift.	Technical Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual 2008/9performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
TECHNICAL SERVICES							
Maintain 5 % of value of roads infrastructure	Expenditure on Roads Maintenance as a percentage of Roads Asset Value	Roads	4.0%	Contractor for resealing of tar road was appointed and started the resealing programme. Completion of the programme is end of the fourth quarter and R 11 m was allocated for the whole municipality.	The contractor was only appointed in the third quarter.	None	Technical Services
To develop masterplans for Roads	Aggregate number of Roads masterplans completed and updated (2 year lifespan)	Roads	0.5	Target not achieved. However, procurement processes have been initiated	The appointment process is at Bid Adjudication level for a decision.	Finalise appointment in the first quarter of 2009/2010 financial year. The study will only be limited to Nelspruit and surrounding towns and will be completed end December 2009.	Technical Services
To develop masterplans for Stormwater	Aggregate number of stormwater masterplans completed and updated	Roads	1	Target not achieved.	No funding on the 2008/2009 financial year and therefore no project.	None	Technical Services
To ensure the delivery of roads in Mbombela	New roads provided in FY as percent of total roads	Roads	5%	3.9% of bus route were constructed.	Limited funding is available.	None	Technical Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual 2008/9performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
TECHNICAL SERVICES							
To ensure the delivery of roads in Mbombela	Amount spent on tar road maintenance per kilometre of road, in FY. (Rands)	Roads	77760	Over R 14 mil is allocated for road maintenance for 2008/2009 financial year.	Limited funding is available.	None	Technical Services
To ensure the delivery of roads in Mbombela	Percentage of paved road length that was resurfaced in FY.	Roads	14.3%	10% of paved road were resurfaced during this financial year	Limited funding available	None	Technical Services
To ensure the delivery of roads in Mbombela	Percentage of gravel road length that was graded in FY.	Roads	10%	About 15% of gravel roads were graded this financial year	Limited funding available	None	Technical Services
To ensure the delivery of roads in Mbombela	Percentage of gravel roads upgraded to paved roads in FY.	Roads	5%	3.9% of bus route were constructed.	Limited funding is available.	None	Technical Services
To ensure the delivery of roads in Mbombela	Amount spent on gravel road maintenance per kilometre of road, in FY.	Roads	1.50%	R 350 000/km		None	Technical Services
Reduce water losses to 15%	Water losses in metered areas (%)	Water Services	45%	Nelspruit 30%, White River 30%, Nsikazi > 50% (AVERAGE= 37%) HAZYVIEW?	Most areas are rural and are not metered, illegal connections and leaks.	Request funding in 2009/2010 financial year to conduct Water Demand Side Management to minimise Unaccounted Water	Technical Services
To ensure an improved response time to faults and complaints reported	Percentage of water and sanitation faults reported that were resolved within 24 hours	Water Services	90%	Faults reported are addressed, however there is no electronic system in place to manage and track the faults reported.	Procure relevant system (by other department).	Procure relevant system (by other department). Facility Management and Community Services department were requested to investigate a suitable system for municipal use.	Technical Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual 2008/9performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
TECHNICAL SERVICES							
To develop masterplans for W&S	Aggregate number of W&S masterplans adopted and current	Water Services	8	Target not met. However, development of Nsikazi water master plan is underway. The master plan will now be completed in the first quarter of 2009/2010 financial year.	The project was delayed due to lack of information in the Baseline study (incomplete).	Use combination of Baseline Study and Aerial Photography to finalise the master plan in the first quarter of 2009/2010 financial year.	Technical Services
Approved Water Services Development Plan	Water Services Development Plan adopted	Water Services	Yes	Target not met. Water Service Development Plan is underway. The master plan will now be completed in the first quarter of 2009/2010 financial year.	The project was delayed due to lack of information in the Baseline study (incomplete).	Use combination of Baseline Study and Aerial Photography to finalise the master plan in the first quarter of 2009/2010 financial year.	Technical Services
To ensure that households are provided with basic water supply	Number of households provided with at least a potable water supply within 200m from the dwelling during this period	Water Services	9294	2000	Limited funding is available and bulk water shortage.	Address bulk water shortage and water demand side management.	Technical Services
To ensure that households are provided with basic sanitation access	Number of households provided with at least a VIP during this period	Water Services	4587	2737	Limited funding available.		Technical Services
To ensure the delivery of basic services to households	New water connections delivered in FY as a percentage of backlog in 2001	Water Services	25%	3.5% of new water connections were delivered in 2008/2009 as a percentage of backlog in 2008/2009	Limited funding is available and bulk water shortage.	Address bulk water shortage and water demand side management.	Technical Services
To ensure the delivery of basic services to households	New sanitation connections delivered in FY as a percentage of backlog in 2001	Water Services	25%	3.5% of new water connections were delivered in 2008/2009 as a percentage of backlog in 2008/2009	Limited funding is available and bulk water shortage.	Address bulk water shortage and water demand side management.	Technical Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual 2008/9performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
TECHNICAL SERVICES							
To ensure the delivery of basic services to households	Metering efficiency (the percent of total water abstracted and/or purchased that is supplied and metered)	Water Services	85%	70% in Nelspruit 70% in White River 75% in Hazyview 50% in Nsikazi (Average 66.25%)	Most areas are rural and are not metered, illegal connections and leaks.	Request funding in 2009/2010 financial year to conduct Water Demand Side Management to minimise Unaccounted Water	Technical Services
To ensure the delivery of basic services to households	Number of network bursts and leaks per 100km of water pipe, experienced in FY.	Water Services	1	Faults reported are addressed, however there is no electronic system in place to manage and track the faults reported.	There is no system installed to measure the network burst.	Investigate a suitable system to be used to measure network burst.	Technical Services
To ensure that environmental health is maintained	Percent of population affected by violation of drinking water quality during FY	Water Services	1%	Less than 1% of the population was affected by cholera	None	None	Technical Services
To ensure effective monitoring of effluent discharge in Mbombela	% effluent discharge samples which fail to meet the required national standard	Water Services	5%	<5% of sample out of the total failed the required national standards in areas where MLM is responsible. The other areas are supplied by BWB (bulk) and Silulumanzi (Bulk and reticulation).	None	None	Technical Services
To ensure effective monitoring of WQ in Mbombela	Has the municipality instituted a programme of drinking water quality sampling in accordance with DWAF and SANS241 requirements	Water Services	Yes, Fully	Yes, fully. Continuous sampling, testing and assessment is carried out.	None	None	Technical Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual 2008/9performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
TECHNICAL SERVICES							
To ensure effective monitoring of effluent discharge in Mbombela	Has the municipality instituted a programme of effluent discharge quality sampling in accordance with nationally defined minimum standards	Water Services	Yes, Fully	Yes, Fully Continuous sampling, testing and assessment is carried out..	None	Continuous sampling, testing and assessment.	Technical Services
To ensure effective monitoring of effluent discharge in Mbombela	% of waste water treatment facilities that are licenced?	Water Services	100%	100%	None	None	Technical Services
To ensure effective monitoring of effluent discharge in Mbombela	% of waste water treatment facilities which meet the required effluent standard at least 97% of the time	Water Services	100%	83% (Only 1 out of 6 waste treatment facilities is not meeting the required standards). The process of appointing a contractor to refurbish White River waste water treatment us underway.	Appointment not yet finalised, quotation have been called.	Finalise the appointment of a contractor in the 1st quarter of 2009/2010 financial year.	Technical Services
Ability to spend capital budget	Ability to spend capital budget : % of your department's capital budget that was spent in FY.	Expenditure	94%	55%			Technical Services
To conduct the technical evaluation for tenders within 5 days upon receipt of tenders	Average length of technical evaluation cycle for tenders (in days)	Supply chain management	5	Average of 10 days upon receipt.	staff shortage to compile technical evaluation reports	Appoint new staff to complement the existing staff.	Technical Services
To ensure that LED is promoted through preferential procurement practices	% of Rand value of all contracts and tenders awarded which went to SMMEs	LED	50%	There is currently no preferential procurement policy framework	There is currently no preferential procurement policy framework, thus the unavailability of information	The policy will be adopted and implemented in 2009/2010 financial year	Technical Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual 2008/9performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
TECHNICAL SERVICES							
To ensure that LED is promoted through preferential procurement practices	% of Rand value of all contracts and tenders awarded which went to BEEs	LED	50%	There is currently no preferential procurement policy framework	There is currently no preferential procurement policy framework, thus the unavailability of information	The policy will be adopted and implemented in 2009/2010 financial year	Technical Services
To ensure that Mbombela receives a satisfactory audit outcome	Audit outcome for Mbombela LM as per the Auditor-General's report	Audit	Unqualified	Awaiting the audit outcome	None	None	Technical Services

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4.2 KPA 1: BASIC SERVICES: COMMUNITY SERVICES

Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
COMMUNITY SERVICES							
To ensure that cemeteries are able to meet demand	Available formal burial capacity (number of available graves) as a ratio of deaths per year	Cemeteries	1	0	No EIA's done	No EIA's done	Community Services
To ensure that cemeteries are able to meet demand	Number of new cemeteries	Cemeteries	1	0	To advertise	Advertisement	Community Services
Community Halls upgraded and fenced	Number of community halls fenced	Community Facilities	2	0	Tender process delays	Contractors to be appointed in the 1st quarter of 2009/2010	Community Services
Community Halls upgraded and fenced	Number of community halls upgraded	Community Facilities	2	0	Delays in the appointment of Project Manager and compilation of specifications	Tender process to be completed in the 1st quarter of 2009/2010	Community Services
Build new community halls	Number of community halls built	Community Facilities	1	0	Delays in completing the SG diagram, and appointment of Quantity Surveyor to cost the building plans	Tender process to be completed in the 1st quarter of 2009/2010, and contractors be appointed in the 2nd quarter	Community Services
To provide adequate community, recreation and sports facilities for the people of Mbombela	Number of community halls per 10 000 population	Community Facilities	2.0	0.0	No baseline information available	Household survey be conducted to determine the percentage	Community Services
To provide adequate community, recreation and sports facilities for the people of Mbombela	Percent of households that lie within a 2 km radius of a community hall	Community Facilities	80%	0%	No baseline information available	Household survey be conducted to determine the percentage	Community Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non- achievement	Plans to address non- achievement	Responsibility
COMMUNITY SERVICES							
To provide adequate community, recreation and sports facilities for the people of Mbombela	Number of sports facilities per 10 000 population	Community Facilities	2.0	0.0	No baseline information available	Household survey be conducted to determine the percentage	Community Services
To provide adequate community, recreation and sports facilities for the people of Mbombela	Percent of households that lie within a 2 km radius of a sports facility	Community Facilities	80%	0%	No baseline information available	Household survey be conducted to determine the percentage	Community Services
To provide adequate community, recreation and sports facilities for the people of Mbombela	Area of parks and designated open spaces per 10 000 population (km ²)	Community Facilities	30.0	0.0	No baseline information available	Household survey be conducted to determine the percentage	Community Services
To provide adequate community, recreation and sports facilities for the people of Mbombela	Percent of households that lie within a 2 km radius of a park or designated open space	Community Facilities	80%	0%	No baseline information available	Household survey be conducted to determine the percentage	Community Services
To provide adequate community, recreation and sports facilities for the people of Mbombela	Percent of operating and maintenance budget allocated to community facilities in FY that was spent on maintenance and rehabilitation	Community Facilities	15%	15%			Community Services
To provide adequate community, recreation and sports facilities for the people of Mbombela	Percent of households that lie within a 5 km radius of a community hall	Community Facilities	60%	0%	No baseline information available	Household survey be conducted to determine the percentage	Community Services
Upgrade & installation of CCTV cameras	Number of CCTV cameras upgraded or installed	Community Safety	40	8	Delay in appointment of service provider.	Appointment of service provider	Community Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
COMMUNITY SERVICES							
Reduction of response times to High Risk Areas to within fifteen minutes	% of incidents responded to within 15 minutes as a percentage of total incidents	Emergency Services	80%	50%	Old and obsolete response vehicles in use	Seek assistance from the provincial government	Community Services
Establishment of emergency response team;	New emergency response teams established	Emergency Services	1	1			Community Services
Establishment of a disaster management satellite centre	A disaster management satellite centre is established	Emergency Services	Yes	No	Funds rolled over	Appointment of service provider	Community Services
To ensure that relevant planning documentation is updated and approved	Revised Disaster Management Plan	Emergency Services	Yes	1	Funds rolled over	Appointment of service provider	Community Services
To implement biometric access control system	Number of biometric access control systems installed	Emergency Services	2	0	Funds rolled over to 2009/2010	Appointment of service provider	Community Services
To upgrade alarm systems at MLM	Number of service centres where alarm systems were upgraded	Emergency Services	1	1			Community Services
Fencing of service centres	Number of service centres where new fencing was provided	Emergency Services	2	1	Funds rolled over	Appointment of service provider	Community Services
To ensure that 4 environmental management forums are held	Number of environmental management forums held	Environmental Management	4	4			Community Services
To conduct Alien plant campaign	Number of alien plant campaigns which took place	Environmental Management	4	5			Community Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
COMMUNITY SERVICES							
To ensure wetland rehabilitation campaign takes place	Number of wetland campaigns which took place	Environmental Management	4	7			Community Services
To ensure that relevant planning documentation is updated and approved	Updated and approved Environmental Management Plan?	Environmental Management	Yes	Yes			Community Services
To ensure adequate fleet management system for department	% of fleet units delivered for all departmental units	Fleet Management	60%	85%			Community Services
To ensure adequate fleet management system	Leasing agreement finalised with fire department, waste management and traffic services?	Fleet Management	Yes	No	The operational budget needed for the implementation of this project was not approved in the 08/09 financial year	Budget for 2009/10 FY	Community Services
Establishment of Satellite Licensing Offices /stations	Number of satellite licensing offices / stations	Licensing	2	Target not achieved, However, office space has been identified	E-natis equipment outstanding from provincial office	Follow up meeting with the provincial office	Community Services
To implement greening project in Mbombela	Number of trees planted in FY	Parks & Gardens	1800	400	The project was rolled over	To advertise	Community Services
Establishment of central waste disposal facilities	Number of central waste disposal facilities	Solid waste	1	0	Bidders were non responsive to the tender enquiry	The BAC recommended that the tender enquiry be re-advertised. Tender closed on 8 June 2009	Community Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
COMMUNITY SERVICES							
Assessment for closure of disposal sites	Number of disposal sites where assessments of closure has taken place	Solid waste	1	0	No budget	Further budget request to be submitted	Community Services
Extension of Refuse removal services to Nsikazi and Nelspruit B	Number of households provided with a new refuse collection service	Solid waste	25839	420	Waste collection pilot project not finalized	Implement waste collection service project Phase 2	Community Services
To ensure the delivery of basic services to households	New solid waste service points delivered to peri - urban households in FY as a percentage of backlog in urban areas in 2001	Solid waste	33%	0%	No funding available	Implement waste collection service project Phase 2	Community Services
To ensure that recycling takes place in Mbombela	Percentage of volume of general waste collected that was recycled in FY	Solid waste	15%	14%	Show implementation of National waste minimization centre	Fast track implementation of National waste minimization centre	Community Services
To ensure that landfill sites are licensed	Percentage of municipal landfill volume licensed according to the terms of the Environmental Conservation Act?	Solid waste	90%	0%	Inadequate funding for permitting facilities	Request further funding	Community Services
To ensure that the IWMP is in place at Mbombela	Has the IWMP been updated and approved	Solid waste	Yes	No	Service provider not appointed	Fast track appointment of service provider	Community Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
COMMUNITY SERVICES							
Conduct sports development program	Number of participants (people) in sports development programmes	Sports & recreation	2000	3720	N/A	N/A	Community Services
To facilitate an arts and culture heritage programme	Number of direct beneficiaries (artists) involved in Arts, Culture & Heritage programme	Sports & recreation	30	584	N/A	N/A	Community Services
To facilitate an arts and culture heritage programme	Number of indirect beneficiaries (public) involved in Arts, Culture & Heritage programme	Sports & recreation	800	1140	N/A	N/A	Community Services
Reduce accidents by 5% per annum within Mbombela Local Municipality	Number of annual road traffic accidents as a rolling aggregate over 12 months	Traffic Services	5293	5545	Lack of resources	Implementation of HR Plan / High visibility patrols / Accident investigation	Community Services
To ensure that fines issued are paid	% fines issued for which payment has been received/collected	Traffic Services	80%	34%	Delay in appointment of service provider / Justice system / Attitude wrt traffic	Appointment of service provider / Zero tolerance wrt traffic violations	Community Services
Ability to spend capital budget : % of your department's capital budget that was spent in FY.	Ability to spend capital budget : % Capital Budget spent in FY	Expenditure	75%	64%	Supply Chain delays	Roll over projects	Community Services
To ensure satisfaction with all services provided by the department	% users satisfied with services provided by this department	User satisfaction	70%	The survey was not conducted	There was no standardised format for the survey	Finalise a standardised template for the survey	Community Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non-achievement	Responsibility
COMMUNITY SERVICES							
To have a complete and updated asset register	Does the department have a completed and updated asset register	Asset Management	Yes	No	The asset register for immovable assets is still outstanding		Community Services
To ensure that invoices are paid by the municipality within 30 working days and the department approves invoices within 5 working days	% of invoices approved within 5 working days and passed onto to Treasury services	Supply chain management	100%	100%			Community Services
To ensure that all audit queries are responded to and resolved timeously	% of audit queries respective to this department that have been resolved within the stipulated time period	Audit	100%	100%			Community Services
To ensure that LED is promoted through preferential procurement practices	% of Rand value of all contracts and tenders awarded which went to SMMEs	LED	50%	There is currently no preferential procurement policy framework	There is currently no preferential procurement policy framework, thus the unavailability of information	The policy will be adopted and implemented in 2009/2010 financial year	Community Services
To ensure that LED is promoted through preferential procurement practices	% of Rand value of all contracts and tenders awarded which went to BEEs	LED	50%	There is currently no preferential procurement policy framework	There is currently no preferential procurement policy framework, thus the unavailability of information	The policy will be adopted and implemented in 2009/2010 financial year	Community Services
To ensure that Mbombela receives a satisfactory audit outcome	Audit outcome for Mbombela LM as per the Auditor-General's report	Audit	Unqualified	Awaiting the audit outcome	None	None	Community Services

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4.3 KPA 1: BASIC SERVICES: PLANNING AND ECONOMIC DEVELOPMENT

Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual Performance	Reason for non achievement	Plans to address non achievement and timeframe	Responsibility
URBAN AND RURAL MANAGEMENT							
To implement an effective land use management system	Proclaimed Land Use Management System	Land Use	Proclamation and implementation on 1 July 2009	Target not achieved. Workshop did not produce required results. After appointment of new Speaker the matter will be taken up with Traditional Authorities again to obtain buy-in.	Could not conclude workshop and obtain buy-in from Traditional authorities.	Further Meetings scheduled with Traditional Authorities to address buy-in and workshop planned with Provincial Officials to address legislative framework. Project and funds to be rolled-over to 09/10 budget.	Urban & Rural Management
To obtain accurate aerial photography of the entire municipality	Accurate information for town planning, land use and engineering services.	Land Use	Aerial photography for the municipality	Achieved	N/A	N/A	Urban & Rural Management
Land Tenure Upgrade in Mbombela	Formalized Municipal Area.	Land Tenure	360 Formalized Units with own funds	1188 informal units formalized including the Mataffin village as part of the legacy for 2010.		N/A	Urban & Rural Management
To co-ordinate an integrated human settlement programme	Established and approved Townships for housing development	Integrated human settlements	Maggiesdal, Matsulu West, Tekwane South	Not achieved	Funding provided on Budget under the vote of General Manager. Position vacant – request to utilize funds in this regard not supported by Top Management	General Manager needs to be appointed to take responsibility for execution of project	Municipal Manager
To co-ordinate an integrated human settlement programme	Established and approved Townships for housing development	Integrated human settlements	Township establishment for Phumlani area.	Not achieved	Land Invaded by squatters – obtain court interdict to remove illegal occupants	Request political intervention through office of Executive Mayor to obtain assistance from relevant government departments	Urban & Rural Management and Properties

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual Performance	Reason for non achievement	Plans to address non achievement and timeframe	Responsibility
HOUSING AND PROPERTIES							
Manage housing subsidies and PHP from Provincial Department of Housing.	Number of household housed in new units	Housing	Hand Over of 420 units to recipients(100 units for persons with disability at Masoyi, 200 PHP for Matsulu B,100 PHP for Mjejane and 20 for farm workers of Tekwane North) based on integrated housing program	818 Units completed	All the units have been built and completed	the work done is within the stipulated time line in the contract	Housing and properties
To co-ordinate an integrated human settlement programme	Acquired land for integrated housing development	Integrated human settlements	Acquire 62.5ha of suitable land for housing projects	Not achieved	The Department of Land Affairs is reviewing its budget and has not taken a decision with regard to the acquisition of Land	The acquiring of properties will be finalised in the 1 st quarter of 2009/10	Housing and properties
To co-ordinate an integrated human settlement programme	Established and approved Townships for housing development	Integrated human settlements	Approved developmental plan for Maggiesdal				
Land Tenure Upgrade in Mbombela	Accurate database of ownership.	Land tenure upgrade	Verification of ownership for 25 000 households in KaNyamazane, Kabokweni and Matsulu.	The verification has been completed and now busy with capturing of information	The capturing of data is 40 per cent complete	The capturing of data will be completed in September 2009	Housing and properties
Land Tenure Upgrade in Mbombela	Accurate database of ownership.	Land tenure upgrade	Verification of 528 RDP Units in Tekwane North	Achieved	the verification has been done and completed at the fourth quarter provider	a report will be submitted to Council in August 2009	Housing and properties
To consistently optimise the use of available Council property	300 applicants provided with Council land for development	Council Properties	Address 300 outstanding applications per annum.	34 applications were processed	The alienation policy has been amended and supported by portfolio committee on 17 June 2009.	Outstanding applications will be processed as soon as the amended policy is approved by Council	Housing and properties

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4.4 KPA 2: ECONOMIC DEVELOPMENT: PLANNING AND ECONOMIC DEVELOPMENT

Objective	Indicator	Priority Area	Annual Target (2008 -2009)	Actual Progress for 4th Quarter	Reason for non achievement	Plans to address non achievement and timeframe	Responsibility
LOCAL ECONOMIC DEVELOPMENT, TOURISM AND TRADE							
To create and promote a conducive environment for economic growth	Viable Tourism activities in the Municipality	Tourism	Tourism Strategy	The target was not met. However, launch for all accommodation establishment was held on the 19 th May 2009. Product owners who did not attend the session were phoned to pick up their forms for registration with the municipality. A total of 650 product owners are now on the database. Product owners have applied for business licenses, special consent and health certificates.	A lot of time was used to register product owners as they were not registered with the Municipality. Of the 650 product owners only 80 have special consent for their properties. None of the product owners have business licenses. This influence property rates and taxes as well as compliance for 2010. Product owners have until the end of September 2009 to get all their licensing requirements in place.	The sector plan will be completed by the end of December 2009. After all statistics are evaluated the sector plan will be submitted for public participation and approval of council.	LED, Tourism and Trade
To create and promote a conducive environment for economic growth	Operational Mgwenya Green belt as a tourists node	Tourism	Completion of Phase 1 of Mgwenya Greenbelt (Hiking trail zone, Golf cart, roads-Nature Reserve and Water Works)	10% completed. (Three meetings were held with Halls and other stakeholders to establish a working relationship for the implementation of the project)	Lack of progress in the first two quarters as well as the more urgent issues surrounding 2010 like business licensing of all tourism product owners		LED, Tourism and Trade
To create and promote a conducive environment for	Number of jobs created through EPWP and other developmental	Job Creation through Govt programmes	To be determined (Maintain and update database and submit to	Template is developed and should be populated from the 1 st July 2009 by all divisions. Jobs opportunities: 317	Data and numbers of jobs created are available, but only portray projects from		LED, Tourism and Trade

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Objective	Indicator	Priority Area	Annual Target (2008 -2009)	Actual Progress for 4th Quarter	Reason for non achievement	Plans to address non achievement and timeframe	Responsibility
LOCAL ECONOMIC DEVELOPMENT, TOURISM AND TRADE							
economic growth	programmes according to Target Groups		council for information)	Unemployed youth: 174 Woman: 119 Disabled: 4	PMU unit. All divisions should contribute.		
To create and promote a conducive environment for economic growth	Developed sustainable Business, Commercial, Residential and Recreational Zone	Urban Renewal for economic growth	Completion of Kanyamazane and Swalala Precinct Development Plans	The plans are completed and the pre-feasibility and scoping of two projects are done. Kanyamazane – Pedestrian Bridge Kanyamazane – Sport facilities			LED, Tourism and Trade
To create and promote a conducive environment for economic growth	Number of jobs created through KMIA Industrial Zone	Job creation through industrial development	Facilitation of Business plan for KMIA Industrial Zone development.	First draft was received and was finalized by the end of June 2009.	Consultant only appointed on 02 December but need to submit by the end of June 2009.	Plan will be submitted to council for approval	LED, Tourism and Trade
To create and promote a conducive environment for economic growth	Effective implementation of the approved LED Strategy (Macro)	Institutional Arrangements	Operational Mbombela Economic Development Agency	Report for the Board of Directors was submitted to council, but was deferred for political inputs. Advertisement for CEO is drafted and will be published as soon as board is appointed. Business plan is in draft format.	CEO can only be appointed as soon as the Board of Directors Members are in place. Business plan is in draft format and will be finalised if board is in place.		LED, Tourism and Trade
To create and promote a conducive environment for	Number of registered trainers being trained	Support of street trading	200 registered traders being trained on health and hygiene and by-laws	All traders are currently being identified in the urban and rural areas. A database of all traders (registered and non registered) will be available at	The targets set were unrealistic. The current number of traders to be registered, allocated spaces and trained are	Identified traders to be registered, allocated spaces and trained in 2009/2010 financial	LED, Tourism and Trade

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Objective	Indicator	Priority Area	Annual Target (2008 -2009)	Actual Progress for 4th Quarter	Reason for non achievement	Plans to address non achievement and timeframe	Responsibility
LOCAL ECONOMIC DEVELOPMENT, TOURISM AND TRADE							
economic growth				the end of the quarter, at the moment there are 800 traders on the database. Traders are busy registering with the municipality. Training on health and hygiene takes place on a daily basis. 19 new traders stands have been handed over to traders in Brown street. The rest of the 79 stands will be handed over in the next two months.	about 1500	year	
To create and promote a conducive environment for economic growth	Number of equipment (stalls, trolleys, etc) provided to traders	Support of street trading	Equipment purchased for 350 traders	Target not achieved, However, quotations were obtained from providers for the material. The material will then be supplied to the contractor for the making of the trolleys.	Deviated from the normal tendering procedure by requesting for quotations from service providers as second contract was terminated.	The project could not be finalised, supply chain is assisting with the situation.	LED, Tourism and Trade

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4.5 KPA 3: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION: CORPORATE SERVICES

Objective	Indicator	Priority Area	Annual Target (2008 -2009)	Actual performance	Reasons for non-achievement	Plans to address non-achievement and timeframe	Responsibility
CORPORATE SERVICES							
To implement a new document management system that will ensure delivery of all documents within 2 days	% of document deliveries exceeding 2 days turn-around time	Administration	1%	Less than 1%			Corporate Services
An Employee Assistance and Wellness Programme implemented	Is there an Employee Assistance and Wellness Programme implemented	EAWP	Yes	yes			Corporate Services
To ensure that staff are using the EAP	% staff that have made use of the EAP	EAWP	5%	10%			Corporate Services
To ensure that staff are aware of the EAP	% staff that are aware of the EAP, as tested in internal survey	EAWP	90%	65%			Corporate Services
To ensure that the employment equity plan of the municipality is implemented	Percentage of staff (out of the total number of staff) in the municipality that were women as at 30 June of FY.	EE	42%	45%			Corporate Services

Annexure 427/2010

Objective	Indicator	Priority Area	Annual Target (2008 -2009)	Actual performance	Reasons for non- achievement	Plans to address non- achievement and timeframe	Responsibility
CORPORATE SERVICES							
To ensure that the employment equity plan of the municipality is implemented	Percentage of staff (out of the total number of staff) in the municipality that were classified as disabled as at 30 June of FY.	EE	2%	2%			Corporate Services
To ensure that Mbombela LM Employment Equity approved and implemented	Has the EE plan been updated, approved and implemented?	EE	Yes	targets to be finalised after the establishment of the EE Forum			Corporate Services
To ensure that Mbombela LM meets its Employment Equity targets	% EE targets as per the 5-year EE plan that are met?	EE	EE plan to be finalised	EE Plan to be finalised			Corporate Services
To ensure that there is sufficient investment in the maintenance of buildings	Amount spent on building maintenance as % of asset value	Facilities Management	Current budget R1.8mil for all buildings	The asset value is unknown, therefore reporting on the indicator is impossible.			Corporate Services
To ensure that maintenance complaints and faults are timeously responded to	Average response time to building queries, complaints and faults	Facilities Management	3 days	3 days			Corporate Services
To ensure that maintenance complaints and faults are timeously responded to	Percentage of staff at least satisfied with workplace facilities as determined in an employee satisfaction survey	Facilities Management	Establish baseline	35%			Corporate Services

Annexure 427/2010

Objective	Indicator	Priority Area	Annual Target (2008 -2009)	Actual performance	Reasons for non- achievement	Plans to address non- achievement and timeframe	Responsibility
CORPORATE SERVICES							
To ensure that the Maintenance Master Plan is developed and approved	Has the Maintenance Master Plan been developed and approved?	Facilities Management	Yes	No. Still under development	There was lack of capacity	The appointment of Facilities manager was concluded almost at the end of the financial year.	Corporate Services
To ensure that the maintenance budget for facilities is spent	% of maintenance budget for facilities spent	Facilities Management	100%	100%			Corporate Services
To complete an assessment of office space availability and usage	Has the assessment of office space availability and usage been completed?	Facilities Management	Yes	yes			Corporate Services
To ensure that all posts are evaluated in terms of the job evaluation system	Percentage of posts having undergone JE	HR	100%	0%	the project has been prioritised for 2009/10 by GTZ		Corporate Services
Effective and universal use of HRIS	Percentage of staff that use HRIS at least monthly	HR	95%	95%			Corporate Services
To ensure that the organisational structure is approved	Municipality's approved organisational structure in the FY?	HR	Yes	Yes			Corporate Services

Annexure 427/2010

Objective	Indicator	Priority Area	Annual Target (2008 -2009)	Actual performance	Reasons for non-achievement	Plans to address non-achievement and timeframe	Responsibility
CORPORATE SERVICES							
To have the placement process finalised	Was the placement process complete by 30 June of FY? (only if relevant)	HR	Yes	Not all posts - in the process of finalisation			Corporate Services
To build organisational capacity at MLM	Percentage of funded posts in organogram that were filled as at 30 June of FY	HR	90%	85%			Corporate Services
To build organisational capacity at MLM	Percentage of funded posts in organogram that were vacant for more than three months during FY	HR	10%	20%			Corporate Services
To build organisational capacity at MLM	Percentage of Section 57 posts vacant for more than three months during FY	HR	12%	12%			Corporate Services
To conduct an internal satisfaction survey at MLM	Has the internal staff satisfaction survey been conducted?	HR	Yes	Yes - change management audit exercise			Corporate Services
To establish the ICT unit in Corporate Services and define its functions	Is the ICT unit place?	ICT	Yes	No	Lack of human resources	Recruitment of ICT Manager	Corporate Services

Annexure 427/2010

Objective	Indicator	Priority Area	Annual Target (2008 -2009)	Actual performance	Reasons for non-achievement	Plans to address non-achievement and timeframe	Responsibility
CORPORATE SERVICES							
Reduced labour disputes by implementing sound labour relations.	Number of Disputes	IR	5	6			Corporate Services
Reduced labour disputes by implementing sound labour relations.	Number of Grievances	IR	7	10			Corporate Services
Reduced labour disputes by implementing sound labour relations.	Number of Disciplinary hearings	IR	8	15			Corporate Services
Reduced labour disputes by implementing sound labour relations.	% of person days lost due to industrial action	IR	<5%	<2%			Corporate Services
To ensure that staff are motivated and unplanned leave is minimised	% of person-days lost due to unplanned leave (sick leave, compassionate, AWOL)	IR	5%	3%			Corporate Services
To ensure that LLF meetings are held regularly	Number of LLF meetings held in year?	IR	12	7	Inconsistency of attendance	Development of policy to address non attendance	Corporate Services
To ensure that OHS is prioritised and that accidents are limited	Annual reduction in Disabling Injuries Frequency Rate (excl motor v. accidents, incidents and first-aid related incidents). Only injuries requiring medical attention.	OHS	10%	6%			Corporate Services

Annexure 427/2010

Objective	Indicator	Priority Area	Annual Target (2008 -2009)	Actual performance	Reasons for non- achievement	Plans to address non- achievement and timeframe	Responsibility
CORPORATE SERVICES							
To ensure that OH&S meetings take place quarterly, according to legislation	Number of OH&S meetings held in year?	OHS	3	4			Corporate Services
To pilot a PM System for senior management in the municipality	Percentage of senior managers with performance agreements in place and appraised, annually	PMS	100%	0%	Process to develop PMS is on course		Corporate Services
To ensure that the proceedings of all council and committee meetings are accurately recorded	Average number of inaccuracies per set of minutes taken	Secretariat	<5	<5			Corporate Services
To ensure that Council meetings are held regularly	Number of Council meeting held in FY	Secretariat	4	4			Corporate Services
To monitor the usage of the document management system by all departments	% documents which are not opened/unprocessed by users with access to Orbit system	Secretariat	<40%	<50%			Corporate Services
To finalise the roles and responsibilities of the Service Centre Managers	Have the roles and responsibilities of the Service Centre Managers been finalised and approved	Service Centres	Yes	Yes			Corporate Services
To provide opportunities for skills development of staff at MLM	Did the municipality implement a workplace skills development plan in FY?	Skills Development	Yes	Yes			Corporate Services

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Objective	Indicator	Priority Area	Annual Target (2008 -2009)	Actual performance	Reasons for non- achievement	Plans to address non- achievement and timeframe	Responsibility
CORPORATE SERVICES							
To fully implement the workplace skills plan for the year	Percentage of skills levy received in rebate from SETA for FY?	Skills Development	65%	78%			Corporate Services
To implement the Councillors development programme in MLM	% of Councillors whose skills were developed through programme	Skills Development	30%	20%			Corporate Services
To ensure that the employment equity plan of the municipality is implemented	Percentage of staff (out of the total number of staff in this department) in the municipality that were women as at 30 June of FY.	EE	42%	45%			Corporate Services
To ensure that the employment equity plan of the municipality is implemented	Percentage of staff (out of the total number of staff in this department) in the municipality that were classified as disabled as at 30 June of FY.	EE	1%	1%			Corporate Services
To conduct the technical evaluation for tenders within 5 days upon receipt of tenders	Average length of technical evaluation cycle for tenders (in days)	Supply chain management	5	2			Corporate Services
To ensure that invoices are paid by the municipality with 30 working days and the department approves invoices within 5 working days	% of invoices approved within 5 working days and passed onto to Treasury services	Supply chain management	100%	100%			Corporate Services
To ensure adequate spending of the capital budget	% Capital budget which was spent in FY	Expenditure	94%	95%			Corporate Services

Annexure 427/2010

Objective	Indicator	Priority Area	Annual Target (2008 -2009)	Actual performance	Reasons for non- achievement	Plans to address non- achievement and timeframe	Responsibility
CORPORATE SERVICES							
To ensure that Mbombela receives a satisfactory audit outcome	Audit outcome for Mbombela LM as per the Auditor-General's report	Audit	Unqualified	Awaiting audit opinion			Corporate Services

Annexure 427/2010

4.6 KPA 4: FINANCIAL VIABILITY AND MANAGEMENT: TREASURY SERVICES

Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non achievement and timeframe	Responsibility
TREASURY SERVICES							
Credible asset register	Credible asset register completed	Asset Management	Yes	Target not achieved. However, 1. Movable assets verification completed. Valuation, accounting and disclosure in process. 2. Service provider for immovables appointed	1. Extension of tender period to incorporate the asset regulations guidelines issued by the National Treasury, 2.Expiry of tender validity caused delay in the appointment of the service provider for immovable assets. 3. Completing the project in the 2008/09 financial year could have compromised the quality of the fixed asset register hence value for money for the municipality.	Service provider for the immovable assets has been appointed to identify, revalue and update fixed asset register in 2009/10 financial year	Treasury Services
Asset Management policy & procedures	Asset management procedures reviewed, improved and adopted	Asset Management	Yes	Target not achieved. However, asset management policy is partly reviewed	Review of the asset management plan requires extensive address of GRAP 17 and so much time was spent on the budget process challenges	Review of asset management policy will be informed by the Appointment of service provider seconded by DPLG funded from MSIG an amount of R200 000 for asset register as the scope of work will include review of the asset management policy	Treasury Services
To ensure that households are provided with timeous and accurate bills	The percentage of bills for the period that were accurate and reach the consumer by the 30th day of the month	Billing	99.5%	97.0%	Lack of billing system data integrity and lack of human resources	Conduct cleansing of billing system data and filling of vacant positions during 2009/10 financial year	Treasury Services

Annexure 427/2010

Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non achievement and timeframe	Responsibility
TREASURY SERVICES							
To ensure that the customer database is accurate	Percentage of customers on the database, for whom database errors were found during the period	Billing	1.5%	0.3%			Treasury Services
To provide support to poor households in MLM	Did the municipality implement an Indigent Policy in FY?	Billing	Yes	Yes			Treasury Services
Annual debtors collection rate (Payment level %)	Annual debtors collection rate (Payment level %)	Billing	95%	99%			Treasury Services
To ensure that outstanding debt is minimised	Outstanding Debtors to Revenue: Debtor days	Billing	45	45			Treasury Services
Tariffs are linked to accurate economic data	Tariff policy that is approved	Budget	Yes	Yes			
Grant dependency	Grant dependency (opex)	Budget	20%	20%			Treasury Services
Ability to spend capital budget	Ability of this department to spend capital budget : % Capital Budget spent in FY	Budget	94%	0%	No capital budget for the department		Treasury Services

Annexure 427/2010

Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non achievement and timeframe	Responsibility
TREASURY SERVICES							
Ability to meet short term commitments (current ratio)	Ability to meet short term commitments (current ratio) (current assets less consumer debtors outstanding greater than one year divided current liabilities)	Budget	200%	1.04			Treasury Services
Debt coverage	Debt coverage (total revenue less revenue from grant over debt service payments)	Budget	667%	67			Treasury Services
To ensure that salaries make up the appropriate proportion of the OPEX in MLM	Salaries as % of total opex	Budget	36%	Budget 2009/10 approved with 29% of salaries wages and allowances of the total operating budget			Treasury Services
To promote effective budgeting	Approved Medium Term Revenue and Expenditure Framework?	Budget	Yes	Yes MTREF approved on 11 June 2009			Treasury Services
To ensure that a realistic and credible budget is adopted by Council by the 31 May	A realistic and credible budget is approved by 31 May	Budget	Yes	Yes, Realistic and credible Budget approved on 11 June 2009			Treasury Services

Annexure 427/2010

Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non achievement and timeframe	Responsibility
TREASURY SERVICES							
All creditors paid within 30 days of receipt of invoice	Creditors System Efficiency - % (Rand Value) of creditors paid within 30 days of being received	Creditor Efficiency	100%	80%	(1) Stats based on difference between invoice date and date of payment - no data available to compare date of invoice received with date paid. (2) Some invoices are not received by the creditor's office - the suppliers forward it directly to officials. (3) Invoices are sent to departments to authorise payments and are not returned in time. (4) Insufficient budgets and non compliance to SCM delay payments. NB this item should be cross cutting across all departments as efficiency is not dependent on the creditors office alone	Acquisition of the Intenda procurement system	Treasury Services
To provide support to poor households in MLM	Percentage of households earning less than two state pensions per month who received free basic electricity	Electricity	80%	80% (From indigent register)			Treasury Services
To eliminate unauthorised expenditure	Percentage of expenditure: unauthorised/irregular/fruitless and wasteful	Expenditure	1%	1			Treasury Services
To ensure that all financial reporting is submitted on time	Financial statements submitted on time	Financial reporting	Yes	Yes			Treasury Services

Annexure 427/2010

Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non achievement and timeframe	Responsibility
TREASURY SERVICES							
To ensure that all financial reporting is submitted on time	% of MFMA Section 71 and 72 reports submitted on time	Financial reporting	98%	100%			Treasury Services
100% accuracy on payroll	Percentage of payroll items where errors have been reported	Payroll	0%	1%	Calculation errors	Clear, signed and on time HR instructions file	Treasury Services
To ensure a credible certified valuation roll with less than 10% objections for levying assessment rates	Adoption of new rates policy	Property Rates	Yes	Yes, Rates policy and draft by-law was approved by Council on 11 June 2009, as per Council Resolution A(1)			Treasury Services
Credible certified valuation roll with less than 10% objections for levying assessment rates	Valuation roll updated according to the PRA	Property Rates	Yes	Yes, General valuation roll and first supplementary valuation roll will be implemented on 01 July 2009			Treasury Services
Credible certified valuation roll with less than 10% objections	% objections from valuation process	Property Rates	<10%	4.8% objections were received			Treasury Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non achievement and timeframe	Responsibility
TREASURY SERVICES							
for levying assessment rates							
To ensure that property transfers can be completed within a 90 day turnaround time	Percentage of property transfers completed within 90 days from the date of receipt from deeds office	Property Transfers	90%	61%	Incomplete information received from Deeds Office and vacant positions filled towards end of third quarter	Training of personnel and arrange a meeting with Deeds Office to discuss challenges	Treasury Services
To ensure that clearance certificates for property transfers can be issued with 48 hours of being applied for	Percentage of clearance certificates issued within 48 hours of being applied for, from date of receipt of application	Property Transfers	90%	87%	Incomplete information received from Deeds Office and vacant positions filled towards end of third quarter	Training of personnel and arrange a meeting with Deeds Office to discuss challenges	Treasury Services
Appropriate levels of inventory maintained	% loss on inventory	SCM	0.5	1.7% of redundant stock. Objective achieved.			Treasury Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non achievement and timeframe	Responsibility
TREASURY SERVICES							
Reliable, cost effective & transparent procurement system (supply chain management system)	Average length of SCM cycle (from tender closing date to appointment)	SCM	20	0-R30,000.00=36 Hrs. R30, 000.00- R 200,000.00 = 25 days. R200, 000.00- R 9 99 999.99=3 months. R 10 000 000.00- Upwards=3 Months (the SCM Cycle is dependent on the amount as illustrated above). At this point in time, not all timeframes are adhered to	None regular seating of bid Committees	Secondees have been appointed to serve in Bid committee.	Treasury Services
To promote preferential procurement in MLM	Was there an operational preferential procurement policy favouring SMMES and BEE in FY?	SCM	Yes	No. The current SCM policy has been reviewed and targets for preferential Goals have been set. Policy and procedures due to be tabled before Council.	The current SCM policy did not have any targets to batch mark performance with.	Table the SCM policy before Council for approval.	Treasury Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non achievement and timeframe	Responsibility
TREASURY SERVICES							
To promote preferential procurement in MLM	Percentage of rand value of contracts awarded to SMMEs during the specified period	SCM	50%	The current SCM policy has been reviewed and targets for preferential Goals have been set. Policy and procedures due to be tabled before Council.	The current SCM policy did not have any targets to batch mark performance with.	Table the SCM policy before Council for approval.	Treasury Services
To promote preferential procurement in MLM	Percentage of rand value of contracts awarded to BEE during the specified period	SCM	50%	The current SCM policy has been reviewed and targets for preferential Goals have been set. Policy and procedures due to be tabled before Council.	The current SCM policy did not have any targets to batch mark performance with.	Table the SCM policy before Council for approval.	Treasury Services
To promote preferential procurement in MLM	Percentage of rand value of contracts awarded to women during the specified period	SCM	30%	The current SCM policy has been reviewed and targets for preferential Goals have been set. Policy and procedures due to be tabled before Council.	The current SCM policy did not have any targets to batch mark performance with.	Table the SCM policy before Council for approval.	Treasury Services
To promote preferential procurement in MLM	Percentage of rand value of contracts awarded to youth during the specified period	SCM	20%	The current SCM policy has been reviewed and targets for preferential Goals	The current SCM policy did not have any targets to batch mark performance with.	Table the SCM policy before Council for approval.	Treasury Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual performance	Reasons for non-achievement	Plans to address non achievement and timeframe	Responsibility
TREASURY SERVICES							
				have been set. Policy and procedures due to be tabled before Council.			
To promote preferential procurement in MLM	Percentage of rand value of contracts awarded to people with disabilities during specified period	SCM	1%	The current SCM policy has been reviewed and targets for preferential Goals have been set. Policy and procedures due to be tabled before Council.	The current SCM policy did not have any targets to batch mark performance with.	Table the SCM policy before Council for approval.	Treasury Services

Annexure 427/2010

4.7 KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION: OFFICE OF THE MUNICIPAL MANAGER

Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual Performance	Reason for non achievement	Plans to address non achievement and timeframe	Responsibility
INTERNAL AUDIT							
To add value to service delivery by means of assurance and consulting services to enhance internal controls, administrative and operational systems as well as compliance to legislation.	Management acceptance of 90% of recommendations pertaining to: - Internal controls - Performance management - Risk management - Value for money - Compliance.	Transparency and accountability	106 Audits being conducted on Internal Controls (34), Compliance (26), Value for money (26), Performance (8) and Forensic (12)	77 audits were conducted (All focus areas were addressed)	The numbers of audits were overestimated. However, all the audits that needed to be done were accomplished.	N/A	Internal Audit

Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual Performance	Reason for non achievement	Plans to address non achievement and timeframe	Responsibility
LEGAL SERVICES							
To provide the Municipality with legal support and administration.	% reduction of litigations against the municipality	Legal support	Reduce litigation cases against council by 30% by 30 June 2009	Actual reduction by 37.5%			Legal Services
	% accuracy of all first time legal opinion		70% of legal opinion validated by outcomes	100% of legal opinion validated by outcomes			Legal Services

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual Performance	Reason for non achievement	Plans to address non achievement and timeframe	Responsibility
TRANSVERSAL SERVICES							
To Implement transversal programmes in the Municipality	Successful training programmes for all targets groups on Social Programmes	Support to Target Groups	Workshops and Training on 2010, Gender and widowhood, social security and HIV/AIDS	Achieved	N/A	N/A	Transversal Services

Objective	Indicator	Priority area	Annual Target (2008/2009)	Actual Performance	Reason for non achievement	Plans to address non achievement and timeframe	Responsibility
PUBLIC PARTICIPATION							
To create conducive conditions for improved community participation in the municipal affairs	All 36 Ward Committees being functional.	Democracy and accountability to Communities	2 consultative meeting per annum for 36 wards.	Achieved			Public Participation Unit
	Approved Ward Plans for all 36 Wards included in the 2009-10 Reviewed IDP	Democracy and accountability to Communities	All 36 Wards with reviewed ward plans	33 meetings to review and consolidate ward plans were held	We were engaged in the participation process for other departments		Public Participation Unit
To bring a clear conscience to the community about behavioural, family values, promotion of the spirit of Ubuntu and healthy	<i>Establishment of the ward based moral regeneration committees</i> The rolling out of a programme of action that will address the social ills of our	Reduction of social ills that are increasing with our communities, e.g. children and women abuse, deliberate spread of killer diseases	Launch of the Moral Regeneration Local Committee	Achieved			Public Participation Unit

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Objective	Indicator	Priority area	Annual Target (2008/2009)	Actual Performance	Reason for non achievement	Plans to address non achievement and timeframe	Responsibility
PUBLIC PARTICIPATION							
neighbourly relationships	communities, which assist reducing the incidences of moral decay, social abuses, senseless killings, HIV/AIDS, hunger, Crime, etc.	social abuses, senseless killings and irresponsible behaviour by community members					
To bring a clear conscience to the community about behavioural, family values, promotion of the spirit of Ubuntu and healthy neighbourly relationships	<i>Establishment of the ward based moral regeneration committees</i> The rolling out of a programme of action that will address the social ills of our communities, which assist reducing the incidences of moral decay, social abuses, senseless killings, HIV/AIDS, hunger, Crime, etc.	Reduction of social ills that are increasing with our communities, e.g. children and women abuse, deliberate spread of killer diseases social abuses, senseless killings and irresponsible behaviour by community members	Establishment of the ward based moral regeneration committees	Not achieved	The Public Participation Unit was involved with other programs within the municipality	The establishment of the ward based committees will be achieved in 2009/2010	Public Participation Unit
To bring a clear conscience to the community about behavioural, family values, promotion of the spirit of Ubuntu and healthy neighbourly relationships	<i>Establishment of the ward based moral regeneration committees</i> The rolling out of a programme of action that will address the social ills of our communities, which assist reducing the incidences of moral decay, social abuses, senseless killings, HIV/AIDS, hunger, Crime, etc.	Reduction of social ills that are increasing with our communities, e.g. children and women abuse, deliberate spread of killer diseases social abuses, senseless killings and irresponsible behaviour by community	Rolling out of the MRM Program of Action	Not achieved. However, preparatory meeting between the Public Participation Unit and EDM held on 11/06/09 and on 12/06/09 MLM MRMLC met for the 1 st time to discuss way forward in the roll out of programme. Induction for the MRM Local	The Public Participation Unit became involved in the IDP/Budget consultative meetings during the 4 th quarter.	The roll out of the MRM program of Action towards the establishment of ward based moral regeneration committees will be an ongoing process in the 2009/10.	Public Participation Unit

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Objective	Indicator	Priority area	Annual Target (2008/2009)	Actual Performance	Reason for non achievement	Plans to address non achievement and timeframe	Responsibility
PUBLIC PARTICIPATION							
	HIV/AIDS, hunger, Crime, etc.	members		Committee to be held before end of June 2009. The Public Participation unit conducted an induction workshop for the MRM Local Committee on 25 th - 26 th June 2009 in preparation for the launch of ward-based MRM structures.			

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual Performance	Reason for non achievement	Plans to address non achievement and timeframe	Responsibility
COMMUNICATIONS							
To provide information and promote interaction between MLM, Public and other spheres of government.	Quarterly News letter and media briefings.	Information to communities on Municipal/Government Programmes	4 per annum	4	N/A	N/A	Communications
	Monthly press releases to the media on service delivery progress and improvement	Information to communities on Municipal/Government Programmes	12 releases per annum	15	N/A	N/A	Communications
	On-line (Website) information sharing and customer care. Weekly update of News, Notices and customer care information about Mbombela.	Information to communities on Municipal/Government Programmes	Media releases; Adhoc (based on) o Administration o Council Decisions o Customer Acc /enquiries.	Achieved. A service provider has been appointed to redesign the web page(new look and feel)	N/A	Joint revamp of the website with 2010 unit	Communications
	Corporate Image and Branding	Information to communities on Municipal/Government Programmes	Municipality Service Centres and Fleet	Achieved	N/A	N/A	Communications

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Objective	Indicator	Priority Area	Annual Target (2008/2009)	Actual Performance	Reason for non achievement	Plans to address non achievement and timeframe	Responsibility
CORPORATE STRATEGY							
To co-ordinate Municipal strategic planning process.	Approved credible Municipal IDP (Strategic Planning) for 2008-2030 and SDF by 30 June 2009.	Integrated Development Planning	Approval 2009/10 IDP	Achieved			Corporate Strategy
To co-ordinate Organisational Performance Management System.	100% implementation of the Performance Management System and approved Framework	Performance Management	SDBIP, Performance Agreements, Scorecards and Quarterly performance Evaluations	SDBIP, Performance Agreements, Scorecards were achieved. Quarterly performance evaluations were not achieved	There was a confusion relating to the reporting based on the SDBIP, thus the performance evaluations could not be carried out until the correct reporting was done.	The SDBIP for 2009/2010 is to be completed in consultation with all departments to avoid confusion.	
To co-ordinate and support the Municipality on development and reviews of the Policies.	All Municipal policies being 100% compliant to policy development framework.	Effective and efficient business processes	100% Audit of all Municipal Policies	Not achieved	There is no dedicated official working on policies	Individual departments will be responsible for ensuring their policies are compliant	

Annexure 427/2010

5. Conclusion

The annual report is a tool that will enable the municipality, its stakeholders, councillors and communities to assess the municipality's performance against its set targets for the 2008/2009 financial year.

6. ANNEXURE A: Audited Financial Statements



MBOMBELA LOCAL MUNICIPALITY



**AUDITED ANNUAL FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

MBOMBELA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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MBOMBELA LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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GRADING OF LOCAL AUTHORITY
GRADE 9

AUDITORS
THE AUDITOR- GENERAL

BANKERS
ABSA BANK NELSPRUIT

COUNCILLORS
MEMBERS OF THE MAYORAL COMMITTEE & THEIR PORTFOLIOS

Rev. M Nthali	Speaker
Cir L Chiwayo	Executive Mayor
Cir C N Ndlovu	Executive Deputy Mayor - Financial Services
Cir M W Nkosi	Chief Whip
Cir E M Dlodlu	Member of Mayoral Committee - City Planning and Development Services
Cir T V Ndhlala	Member of Mayoral Committee - Economic and Tourism Development
Cir J V Sambo	Member of Mayoral Committee - Community Development Services
Cir Z J Mokoena	Member of Mayoral Committee - Corporate Services
Cir M J Msibi	Member of Mayoral Committee - Rural Development, Traditional Affairs, Projects, Transversal Services and Youth

WARD COUNCILLORS

<u>Councillor</u>	<u>Ward</u>	<u>Councillor</u>	<u>Ward</u>
Cir E M Khoza	1	Cir M E Banda	19
Cir T R Sgudla	2	Cir G S Siwela	20
Cir L E Nyalunga	3	Cir S S Lukhele	21
Cir T M Manana	4	Cir B P Maseko	22
Cir N M Mashabane	5	Cir T E Nkosi	23
Cir H K Malomane	6	Cir T F Nkosi	24
Cir J V Sambo	7	Cir N B Matume	25
Cir M M Mlimi	8	Cir M S Dube	26
Cir C G Mokoena	9	Cir Z L Mandlazi	27
Cir M A Ngwenyama	10	Cir H L Lekhuleni	28
Cir F G Mbuyane	11	Cir M J Msibi	29
Cir M C Mafutha	12	Cir C J M Pienaar	30
Cir N L Mkhwanazi	13	Cir N L Mabunda	31
Cir M D Mnisi	14	Cir M O Mathebula	32
Cir F Lange	15	Cir A B Mashabane	33
Cir C J Booyens	16	Cir J M Mbazo	34
Cir T M Charles	17	Cir S G Chiloane	35
Cir W A Mona	18	Cir T J Milazi	36

COUNCILLORS, PROPORTIONAL

Cir A A Ndowane	Cir N A Mokoena
Cir V Nkosi	Cir S D Mboshane
Cir C Maseko	Cir S R Mdluli
Cir C Mathaba	Cir S R Schormann
Cir D P C Tau	Cir S T Luthuli
Cir S B Mdluli	Cir S Zwane

Cir F H J Sibozo	Cir T C Simelani
Cir F P Nkala	Cir T K Mabilane
Cir G C de Bruin	Cir T N Sifunda
Cir J D Nkosi	Cir V B Mimi
Cir J Koster	Cir V A Mdluli
Cir J M Khumalo	Cir V M Mathebula
Cir J Sidell	Cir W N Murphy
Cir M J Mwali	Cir Z M Boroko

RESIGNATIONS, TERMINATIONS AND DEATHS

COUNCILLORS:

Cir J M Mohlala	Death
Cir C D Mac Pherson	Resigned
Cir E N Sambo	Resigned

AUDIT AND PERFORMANCE AUDIT COMMITTEE

Prof MJ Maseko	Chairman
A Keyser	Member
O Mhlabane (Ms)	Member
S Cousins	Member
B Bando (Ms)	Member Resigned

ACTING MUNICIPAL MANAGER

	Mr FS Sibozo
Telephone	(013) 759 2557
E-Mail Address	sganandas@mbombela.gov.za

CHIEF FINANCIAL OFFICER

	Ms NT Mthembu
Telephone	(013) 759-2005
E-Mail Address	norahm@mbombela.gov.za

GENERAL MANAGER TECHNICAL SERVICES

	Mr ND Malokela
Telephone	(013) 759 2311
E-Mail Address	ntsose.malokela@mbombela.gov.za

GENERAL MANAGER COMMUNITY SERVICES

	Mr R Matola
Telephone	(013) 759 2140
E-Mail Address	rasheed.matola@mbombela.gov.za

GENERAL MANAGER CORPORATE SERVICES

	Mr J Ngobeni
Telephone	(013) 759 2040
E-Mail Address	jasper.ngobeni@mbombela.gov.za

LIBRARIES

Hazyview	(013) 737 7220
Kabokweni	(013) 796 1082
Matsulu	(013) 778 9864
Nelspruit	(013) 759 2077
Nelsville	(013) 755 4788
Victory Park	(013) 759 2089
White River	(013) 750 9125

ENQUIRIES

Building Plans	(013) 759 2184
Electricity	(013) 759 2231
Water & Sewerage	(013) 752 2580
Consumers	(013) 759 2025 / 2064

PAY POINTS

White River	(013) 751 1176
KaNyamazane	(013) 794 1254
Matsulu	(013) 778 9061
Kabokweni	(013) 796 0227
Hazyview	(013) 737 7346
Nelspruit Civic Centre	(013) 759 2025 / 2064

MBOMBELA LOCAL MUNICIPALITY	
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009	
APPROVAL AND CERTIFICATION	
I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 41, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.	
I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.	
Mrs N T Mthembu Chief Financial Officer 31 August 2009	Mr F S Siboza Acting Municipal Manager 31 August 2009

GE-ODUIT
AUDITED

[Signature]

18/12/2009

MBOMBELA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

		2009	2008
	Note	R	R
NET ASSETS & LIABILITIES			
Net Assets		1 920 091 236	1 332 030 292
Housing development fund	2	0	1 841 730
Reserves		1 653 933 778	1 102 859 146
Capital replacement reserve		1 841 730	65 288 503
Capitalisation reserve		237 166 751	208 468 930
Government grant reserve		1 399 083 811	820 718 871
Self-insurance reserve		15 695 546	8 360 067
COVID reserve		145 940	22 775
Accumulated surplus/(deficit)		266 157 457	227 329 416
Non-current liabilities		67 816 554	76 413 749
Interest bearing borrowings	3	58 739 268	66 868 249
Finance Lease	3	59 320	0
Consumer deposits	3.1	9 017 967	9 545 500
Current liabilities		604 804 320	396 599 804
Consumer deposits	3.1	1 642 315	5 567 931
Trade and other payables	4	181 188 029	146 386 250
Unspent conditional grants and receipts	5	414 184 801	235 055 776
Interest bearing borrowings	3	7 789 175	9 589 847
Total Net Assets and Liabilities		2 592 712 110	1 805 043 845
ASSETS			
Non-current assets		1 963 229 560	1 272 803 682
Property, plant & equipment	6	1 937 703 716	1 254 203 963
Intangible assets	7	4 255 986	0
Investment in municipal entities	8	0	0
Investment	11	20 017 416	17 684 242
Loans and receivables	10	1 252 442	915 477
Current assets		629 482 550	532 240 163
Inventories	12	13 758 630	13 405 688
Consumer debtors	9	42 824 628	51 028 825
Loans and other receivables	10	2 465 667	19 749 631
Cash and cash equivalents	13	567 765 922	426 795 974
VAT		2 667 704	21 260 045
Total Assets		2 592 712 110	1 805 043 845

MBOMBELA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

NAAM/NAME

18/12/2009

DATUM/DATE

	Note	2009 R	2008 R
REVENUE			
Property rates	14	155 405 840	142 044 993
Service charges	15	296 933 941	238 400 272
Rental of facilities and equipment		1 595 756	1 932 194
Investment Revenue – external investments	18	41 267 409	30 121 700
Interest earned – outstanding debtors		30 810 293	16 390 889
Fines		4 556 526	3,384,898
Licenses and permits		4 605 117	2,257,573
Income from agency services		53 956 879	47 476 381
Government grants and subsidies received - operating	16	179 798 446	161 950 512
Government grants and subsidies received - capital	16	591 565 780	327 682 162
Public contributions, donated and contributed property, plant and equipment	17	6 233	-
Other revenue	19	35 498 458	31 363 375
Total Revenue		1 396 000 677	1 003 004 949
EXPENDITURE			
Employee related costs	20	237 354 742	192 370 414
Remuneration of councillors	21	13 810 817	12 821 440
Bad debts		102 296 729	35 391 827
Collection costs		248 089	785,842
Depreciation		36 937 323	35 820 927
Amortisation		2 788 592	0
Repairs and maintenance		90 258 714	64 672 085
Finance cost	22	9 346 168	10 885 051
Bulk purchases	23	175 523 060	115 647 254
Grants and subsidies paid	24	198 126	209 717
Contracted services		55 724 911	50 789 974
General expenses		138 913 459	112 576 784
Contributions to provisions		3 851 760	
Transfer from provisions		(4 287 233)	
Total Expenditure		862 965 259	631 971 315
Sub-total		533 035 418	371 033 634
GAINS AND LOSSES			
(Loss)/ Gain on sale of assets		(37,213)	1,489,395
Net Gains and losses		(37,213)	1,489,395
NET SURPLUS FOR THE YEAR		532 998 205	372 523 029

Annexure 427/2010

1 920 031 234

UW DATE 8/2/2009

AMN E

APR 2009

MBOMBELA LOCAL MUNICIPALITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others		1,475,646,066	1,103,961,107
Cash paid to suppliers and employees		(841 538 577)	(562 780 004)
Cash generated from operations	26	834 107 489	541 181 103
Interest received		41 267 409	30 121 700
Interest paid		(9 346 168)	(10 885 051)
Net cash from operating activities		866 028 730	560 417 752
CASH FLOWS UTILISED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(709 965 876)	(381 275 087)
Acquisition of intangible asset		(90 000)	-
Proceeds on disposal of property, plant and equipment		2 050 036	1 794 500
(Increase)/decrease in non-current receivables		(336 965)	5 475 391
Increase in non-current investments		(2 333 174)	(2 540 281)
Net cash utilised in investing activities		(710 675 979)	(376 545 477)
CASH FLOWS UTILISED IN FINANCING ACTIVITIES			
Decrease in long term loans		(9 929 653)	(9 573 271)
(Decrease)/increase in deposits		(4 453 150)	1,140,042
Net cash utilised in financing activities		(14 382 803)	(8 433 229)
Increase in cash and cash equivalents		140 969 948	175 439 046
Cash and cash equivalents at beginning of the year		(426 795 974)	(251 356 929)
Cash and cash equivalents at end of the year		567 765 922	426 795 974



MROMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 of 2005 and General Notice 510 of 2009.

These standards are summarised as follows:

GRAP 1: Presentation of financial statements.
 GRAP 2: Cash flow statements.
 GRAP 3: Accounting policies, changes in accounting estimates and errors.
 GRAP 4: The effects of changes in foreign exchange transactions.
 GRAP 5: Borrowing costs.
 GRAP 6: Consolidated and separate financial statements.
 GRAP 7: Investments in associates.
 GRAP 8: Interests in joint ventures.
 GRAP 9: Revenue from exchange transactions.
 GRAP 10: Financial reporting in hyperinflationary economies.
 GRAP 11: Construction contracts.
 GRAP 12: Inventories.
 GRAP 13: Leases.
 GRAP 14: Events after reporting date.
 GRAP 16: Investment property.
 GRAP 17: Property, plant and equipment.
 GRAP 19: Provisions, contingent liabilities, and contingent assets.
 GRAP 100: Non-current assets held for sale and discontinued operations.
 GRAP 101: Agriculture.
 GRAP 102: Intangible assets.

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.3 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

These annual financial statements have been prepared on a going concern basis.

In preparing the annual financial statements to conform with the standards of GRAP, management is required to make estimates, judgements and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgements and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such reviews as well as in any future affected periods.

Specific areas where these significant estimation uncertainties as well as critical judgements and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in the following notes:

Note 31: Provisions and contingencies
 Note 1.12: Valuation of financial instruments
 Note 1.17: Revenue



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.4 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were established on 1 April 1996 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1996, were also transferred to the Housing Development Fund.

Movements standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Proceeds from housing development fund schemes which include instalment sale of houses is recognised as revenue in the statement of financial performance and a corresponding transfer is made to the Fund.

Expenditure allowed in terms of the Housing Act is expensed in the Statement of Financial Performance and a corresponding transfer is made from the Fund.

1.5 RESERVES

1.5.1 Capital Replacement Reserve (CRR)

The purpose of the CRR is to set aside cash to provide infrastructure and other items of property, plant and equipment from internal sources.

The cash is transferred to a designated CRR account or investment account and can only be used to finance items of property, plant and equipment. The transfer is done in terms of a Council resolution (Number... dated...) as part of the budget process. The CRR is reduced and the accumulated surplus(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

1.5.2 Capitalisation Reserve

The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from the Capitalisation Reserve to the accumulated surplus.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former capitalised funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

1.5.3 Government Grant Reserve

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with MFMA Circular 18 issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus.

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment funded from government grants.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

1.5.4 Self Insurance Reserve

A Self Insurance Reserve has been established and, subject to external re-insurance where, deemed necessary, covers claims that may occur.

The balance of the Self Insurance Reserve is determined based on self insurance surpluses accumulated since the reserve's inception. These surpluses arise from the differences between transfers from the accumulated surplus against claims paid and various administrative expenditures incurred.

The balance of the Self Insurance Reserve is fully cash backed and invested.

1.5.5 Compensation for Occupational Injuries and Diseases (COID) Reserve

Amounts are transferred to the COID Reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, (Act No. 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the Reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus.

1.6 INVESTMENT IN MUNICIPAL ENTITY

Investments in the municipal entity under the ownership control of the Municipality are carried at cost, less accumulated impairment losses, except when the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) in which case it is accounted for under non-current assets held for sale. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post-acquisition results of the investment using the equity method.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.7 PROPERTY, PLANT & EQUIPMENT

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Where an item of property, plant and equipment was donated, it is initially recognised at its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the original best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is commissioned into use.

Provision is in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy (Refer to Accounting Policy 1.18). Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. The present value of rehabilitation future costs to be capitalised to the asset. Provision is made for this obligation in accordance with the Municipality's Accounting Policy on non-current provisions (Refer Accounting Policy 1.15 on Provisions).

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

The residual value of an asset is determined as the estimate amount that could currently be obtained from the disposal of the asset. The residual values of assets are reviewed at each financial year end.

Land is not depreciated as it is regarded as having an infinite life.

Heritage assets are assets that are defined as culturally significant resources and are also not depreciated as they are regarded as having an infinite life and are shown at cost.

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful life of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. This depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset life:

Infrastructure Assets	Year
Roads, pavements, bridges	30
Street names, signs and	5
Water reservoirs and	15-20
Electricity redistribution	20-30
Sewerage purification and	15-20
Housing	30
Refuse sites	15
Community Assets	
Parks and gardens	10-30
Sport fields	20-30
Community halls	30
Libraries	30
Recreation facilities	20-30
Clinics	30
Fire services	30
Cemeteries	30
Other Assets	
Motor vehicles	4
Plant and equipment	2-15
Security measures	3-5
Buildings	30
IT equipment	3-5
Office equipment	3-10
Specialised vehicles	10

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.8 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortization and accumulated impairment losses. (Refer to Impairment of assets accounting policy 1.10).

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands is recognised in the statement of financial performance as incurred.

1.8.1 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

	Yours
Computer software	2.6
Website	2.5

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

1.10 IMPAIRMENT OF FINANCIAL ASSETS

Impairments of non-financial assets

Non-financial assets, including investment property, biological assets and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. In the absence of an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflect current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit exceeds its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Reversals of impairment losses on cash-generating units are allocated on a pro rata basis to the assets in the unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

Impairment of monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

An available-for-sale financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, an cumulative gains or losses that have been accumulated in equity are removed from equity as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where held-to-maturity investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

1.11 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal to the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment, refer to property, plant and equipment (policy 1.7). The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on the remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal instalments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

The Municipality as Lessor

Amounts due from leases under finance leases are recognised in the statement of financial position and presented as a receivable at an amount equal to the net investment in the lease. The difference between the gross receivable and the cost of the asset is recognised as unearned finance income. Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income derived from operating leases is recognised on a straight-line basis over the term of the lease in the statement of financial performance. Initial direct costs incurred in negotiating and arranging the operating lease are included in the carrying amount of the leased asset and recognised in the statement of financial performance on a straight-line basis over the lease term.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

18/12/2009

MSOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.12 FINANCIAL INSTRUMENTS

Financial instruments are initially measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants

Financial instruments include cash and bank balances, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

1.12.1 FINANCIAL ASSETS

Financial assets are recognised in the municipality's statement of financial position when the municipality becomes a party to the contractual provisions of an instrument. Regular way purchases and sales of financial assets are recorded on the trade date.

The municipality classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, held-to-maturity as well as available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

1.12.1.1 Financial assets at fair value through profit and loss

An instrument is at fair value through profit or loss if it is held for trading or designated as such. Purchase or sale decisions with regard to these investments are managed in accordance with the municipality's documented risk or investment strategy. Financial assets at Fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. The net gain or loss recognised in the statement of financial performance incorporates any dividend or interest earned on the financial asset.

1.12.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets. They include short-term receivables, such as property rates, trade and other receivables, and long-term receivables, such as loans granted. This category may also include financial assets that would have been impaired or past due if the terms of the instrument were not renegotiated.

Loans and receivables are recognised initially at fair value, plus transaction costs. Subsequently items in this category are measured at amortised cost using the effective interest rate, and interest income is included in the statement of financial performance for the period. Net gains or losses represent, reversal of impairment losses, impairment losses (prior to impairment of assets accounting policy 1.10) as well as gains or losses on derecognition. These net gains and losses are included in the statement of financial performance.

1.12.1.3 Held-to-maturity investments

Debt securities that the Municipality has the expressed intention and ability to hold to a fixed maturity date are recognised on a trade date basis and are initially measured at fair value plus transaction cost.

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

1.12.1.4 Available for sale assets

Non-derivative assets that do not fall into any of the other categories are classified as available for sale. These financial instruments are stated at fair value plus transaction costs. Fair value is determined with reference to quoted market prices. Gains and losses arising from changes in fair value, with the exception of impairment losses (prior to impairment of assets accounting policy 1.10), are recognised directly in equity in the Mark-to-Market reserve.

Dividends on available for sale equity instruments are recognised in the surplus or deficit when the Municipality's right to receive payment is established.

1.12.2 FINANCIAL LIABILITIES

Financial liabilities are recognised in the municipality's statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

The municipality classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued/obtained.

1.12.2.1 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at Fair Value Through Profit or Loss where the financial liability is either held for trading or it is designated as at Fair Value Through Profit or Loss.

Financial liabilities at Fair Value Through Profit or Loss are issued at fair value, with any resultant gain or loss recognised in the statement of financial performance. Interest expense is calculated using the effective interest rate method and included as part of finance costs in the Statement of Financial Performance.

1.12.2.2 Other financial liabilities

Other financial liabilities, including interest bearing borrowings, are initially measured at fair value, net of transaction costs.

Subsequently, other financial liabilities are measured at amortised cost using the effective rate method, with interest costs being recognised on an effective yield basis.

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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.13 INVENTORIES

Inventories are initially measured at cost which cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, clinic medicine and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first in first out method.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

1.14 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank. Short term investments are excluded. Bank overdrafts are recorded on the liability side. Finance charges on bank overdrafts are expensed as incurred.

1.15 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.

1.16 EMPLOYEE BENEFITS**1.16.1 Short-term employee benefits**

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the Municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.16.2 Retirement benefits

The Municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

The Municipality belongs to a defined benefit joint retirement fund, which is administered on a provincial basis. It is not possible to determine the Municipality's share of the plan liabilities or plan assets and therefore the retirement benefit plan is accounted for as a defined contribution plan.

The joint fund is actuarially valued annually on the projected unit credit method basis. Deficits identified are allocated on a proportional basis to all participating municipalities. The Municipality recognises its proportionate share as a liability, which is settled through lump sum payments or increased future contributions.

1.16.3 Post employment medical care benefits

The Municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment.

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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.17 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Where extended payment terms are extended to ratepayers and consumers, revenue is measured at amortised cost using an appropriate discount rate, and interest income is calculated to take into account the interest income deemed to have been earned.

Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.17.1 Revenue from exchange transactions

Service charges

Service charges include revenue from the sale of electricity and water and revenue levied for refuse and sanitation services that are rendered by the Municipality.

Revenue from service charges is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality, and the amount of the revenue can be measured reliably.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

Sale of goods

Revenue from the sale of even is recognised when all conditions associated with the deed of sale have been met.

Rental of facilities and equipment

Revenue from the rental of Municipal owned facilities and equipment is recognised on a straight-line basis over the period of the rental agreement.

Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset.

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

1.17.2 Revenue from non-exchange transactions

Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines

Revenue from fines is recognised when payment is received and the revenue from the issuing of spot fines and summonses is recognised when collected together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

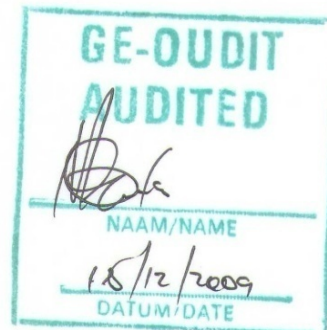
Government Grants

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.18 BORROWING COSTS

Borrowing costs directly related to the acquisition or construction of qualifying assets where there is a considerable period of time before such assets are substantially ready for their intended use are added to the cost of those assets for such periods of time. Investment income earned on the temporary investment of specific borrowings prior to being used in the acquisition or construction of such assets is deducted from the borrowing costs eligible to be capitalised.

All other borrowings costs are recognised as an expense in the Statement of Financial Performance.

1.19 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

1.20 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 IRREGULAR EXPENDITURE

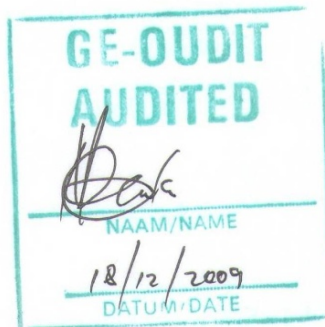
Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 COMPARATIVE INFORMATION

Budgeted amounts have been included in the annual financial statements for the current financial year only. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
2. HOUSING DEVELOPMENT FUND		
Unappropriated Surplus	0	1 841 730
Loans estinguished by Government in April 1998	0	0
	0	1 841 730
The Housing Fund is represented by the following assets and liabilities:		
Property, plant and equipment	0	652 294
Housing selling scheme loans	0	1 189 436
Bank and cash	0	0
See Note 25 - Correction of Error	<u>0</u>	<u>1 841 730</u>
3. INTEREST BEARING BORROWINGS		
Local Registered Stock loans	11 903 000	11 903 000
Annuity loans	54 625 443	64 555 096
	66 528 443	76 458 096
Less: Current portion transferred to current		
Local Registered Stock loans	(3 000)	(3 000)
Annuity loans	(7 786 175)	(9 586 847)
Total Interest Bearing Borrowings	<u>58 739 268</u>	<u>66 868 249</u>

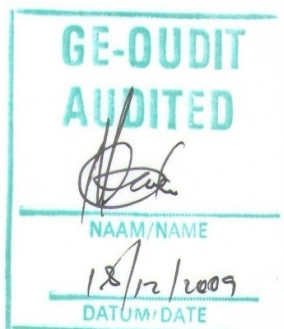
Annuity loans of R46,918,198 are secured by investments of R20,017,416

Finance Lease Liabilities

The finance lease liabilities is secured by office equipment leased. The agreement does not provide for contingent rental payments.

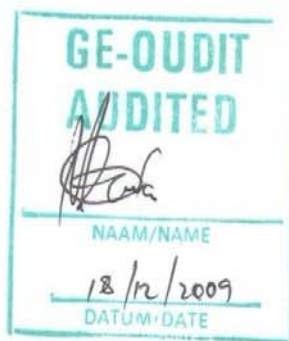
Reconciliation between the total minimum lease payments and their present value

	Up to 1 year R	1-5 years R	Total R
2009			
Minimum lease payments	56 038	8 178	64 216
Finance cost	4 756	141	4 897
Present value	<u>51 282</u>	<u>8 037</u>	<u>59 319</u>
2008			
Minimum lease payments	100 464	64 217	164 681
Finance cost	13 545	4 897	18 442
Present value	<u>86 919</u>	<u>59 320</u>	<u>146 239</u>



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
3.1 CONSUMER DEPOSITS		
Electricity	8 949 066	13 321 447
Water	403 570	553 272
Water - Concessionary	<u>1 307 645</u>	<u>1 238 712</u>
	10 660 281	15 113 431
Less: Current portion transferred to current liabilities	<u>1 642 315</u>	<u>5 567 931</u>
	<u>9 017 967</u>	<u>9 545 500</u>
No interest is paid on consumer deposits. The nominal value of consumer deposits is R16 228 213; (2008: R15 113 432).		
Guarantees held in lieu of electricity and water deposits	<u>1 762 410</u>	<u>1 852 935</u>
4. TRADE AND OTHER PAYABLES		
	Non-Current	Current
30 June 2009		
Trade creditors	-	64 181 267
Payments received in advance	-	29 861 541
Staff Leave	-	15 180 722
VAT	-	-
Operating lease equalising accrual	-	-
Other Creditors	-	47 895 363
Service contributions	-	3 303 211
Trust fund	-	606 165
Other deposits	-	355 345
Other suspense accounts	-	19 804 416
Total Trade and Other Payables	<u>-</u>	<u>181 188 029</u>
30 June 2008		
Trade creditors	-	53 646 661
Payments received in advance	-	22 216 155
Retentions	-	1 332 638
VAT	-	-
Staff leave	-	16 110 421
Operating lease equalising accrual	-	-
Service contributions	-	30 342 269
Other deposits	-	968 949
Other suspense accounts	-	20 856 156
Other	-	913 001
Total Trade and Other Payables	<u>-</u>	<u>146 386 250</u>

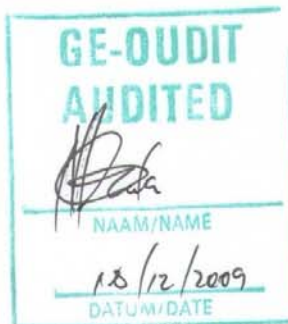


MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
	2009	2008
	R	R
5. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
5.1 Conditional Grants from other spheres of Government	410 217 900	233 990 145
MIG Grants	3 596 400	15 416 812
Department of Water Affairs	20 250 451	2 381 380
Department of Energy	13 534 487	(837 794)
Department of Sports and Recreation	224 451 392	157 883 913
Provincial	1 451 885	11 039 517
Taxi Disaster Fund - Nelspruit	26 246	24 927
Taxi Disaster Fund - White River	-	22 815
Public Transport Infrastructure Services	138 775 865	47 147 446
Provincial LED Projects	-	16 929
Ehlanzeni District Municipality	-	894 200
SA National Roads Agency (SANRAL)	6 245 684	-
Department of Roads and Transport	1 885 490	-
5.2 Other Conditional Receipts	3 966 901	1 065 631
SETA	313 765	1 065 631
HL Hall & Sons Property	3 653 136	-
Total Conditional Grants and Receipts	414 184 801	235 055 776

See note 16 for reconciliation of grants from other spheres of government.

These amounts are invested in a ring-fenced investment until utilized.



MBOMBELA LOCAL MUNICIPALITY
NOTE 3 THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

6. PROPERTY, PLANT & EQUIPMENT

	Land and Buildings R	Infrastructure R	Community Assets R	Heritage Assets R	Other Assets R	Total R
Carrying values at 1 July 2008	60 253 885	697 828 039	486 548 774	77 918	39 700 357	1 254 203 963
Cost	87 758 122	908 250 921	652 702 526	78 904	54 228 942	1 623 563 505
Accumulated depreciation – cost	(27 545 037)	(210 455 872)	(166 153 752)	(1 986)	(14 528 585)	(468 359 120)
Acquisitions	11 019 770	214 340 058	419 656 625	0	34 452 637	679 478 090
Capital under construction	87 859	30 681 628	141 697	0	5 265	30 914 449
Depreciation – based on cost	(1 950 431)	(32 013 458)	(844 481)	(986)	(2 127 966)	(36 937 323)
Carrying value of disposals	(957 358)	(1 129 891)	0	0	0	(2 087 249)
Cost	(1 446 247)	(1 602 433)	0	0	0	(3 048 740)
Accumulated depreciation	488 869	472 602	0	0	0	961 491
Other movements	0	0	0	0	0	0
Carrying values at 30 June 2009	69 453 726	909 712 358	876 300 616	76 932	69 329 701	1 937 703 716
Cost	97 450 358	1 211 709 587	881 068 720	78 904	138 781 851	2 329 999 670
Accumulated depreciation – cost	(27 996 632)	(301 995 729)	(16 668 103)	(972)	(69 452 150)	(407 122 544)
Transfer - intangible assets	0	0	0	0	0	(4 255 395)
Correction of error - Refer to Note 25	0	0	0	0	0	19 986 570

Carrying values at 1 July 2007	61 432 771	607 898 677	211 311 547	78 904	28 333 009	909 054 908
Cost	87 019 557	949 583 702	210 299 702	78 904	33 811 018	1 241 893 341
Accumulated depreciation – cost	(25 586 786)	(341 685 025)	(98 988 155)	0	(5 477 959)	(332 658 435)
Acquisitions	718 905	118 297 199	245 768 647	0	18 430 278	381 275 687
Capital under construction	0	0	0	0	0	0
Depreciation – based on cost	(1 957 851)	(28 370 847)	(733 420)	(986)	(4 757 823)	(35 820 927)
Carrying value of disposals	0	0	0	0	(305 105)	(305 105)
Cost	0	0	0	0	(605 345)	(605 345)
Accumulated depreciation	0	0	0	0	300 240	300 240
Other movements	0	0	0	0	0	0
Carrying values at 30 June 2008	60 253 885	697 828 039	486 548 774	77 918	39 700 357	1 254 203 963
Cost	87 758 122	908 250 921	652 702 526	78 904	54 228 942	1 623 563 505
Accumulated depreciation – cost	(27 545 037)	(210 455 872)	(166 153 752)	(986)	(14 528 585)	(468 359 120)

Certain items of office equipment with a carrying value of R21 186 (2008: R29 512) are security for finance leases (refer note 3).

Verification of Assets other than "Other Assets" (referred to as immovable assets)

and as the date of issue of these annual financial statements and are undertaking a detailed verification and unbundling process. Until this process has been finalised, no adjustments can be made to the immovable asset balances previously recorded. As immovable assets have not been compartmentalised, it is not possible to apply the requirements of GRAP 17 to these assets. Adjustments to the recorded balances of immovable assets will be made in the year ended 30 June 2010.

Verification of "Other Assets"

The Municipality has verified its movable assets as at 30 June 2009. All movable assets have been bar-coded and valued as at 1 July 2008. Acquisitions to other assets have been recorded at historical cost and depreciated over their estimated useful lives, which have also been assessed as part of the verification process. It was not possible to undertake this verification for the comparative period and therefore no adjustments have been made to the comparative information.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

7. INTANGIBLE ASSETS

	Intangible R	Total R
Carrying values at 1 July 2008	0	0
Cost	0	0
Accumulated amortisation	0	0
Correction of error - Refer Note 25	6 954 578	6 954 578
Cost	14 213 846	14 213 846
Accumulated amortisation	(7 259 268)	(7 259 268)
Acquisitions - externally	0	0
Under development	90 000	90 000
Amortisation	2 788 592	2 788 592
Carrying values at 30 June 2009	4 255 986	4 255 986
Cost	14 303 846	14 303 846
Accumulated amortisation	10 047 860	10 047 860
Carrying values at 1 July 2007	-	-
Cost	-	-
Accumulated amortisation - cost	-	-
Acquisitions - externally	-	-
Amortisation	-	-
Carrying values at 30 June 2008	-	-
Cost	-	-
Accumulated amortisation	-	-

The Municipality has verified its intangible assets as at 30 June 2009. All intangible assets have been identified and valued as at 1 July 2008. Acquisitions to intangible assets have been recorded at historical cost and depreciated over their estimated useful lives.

8. INVESTMENT IN MUNICIPAL ENTITY

	2009	2008
Mbombela Economic Development Agency		
Investment at cost	R	R
Total Carrying Value	-	-

The Mbombela Economic Development Agency is a Service Utility established by way of a municipal by-law in accordance with the requirements of the Municipal Systems Act and operates within the Mbombela municipal area. The Service Utility does not have share capital. The Mbombela Economic Development Agency has been dormant since 2006. Council have plans to revive the Company and ensure it carries out the functions for which it was established.

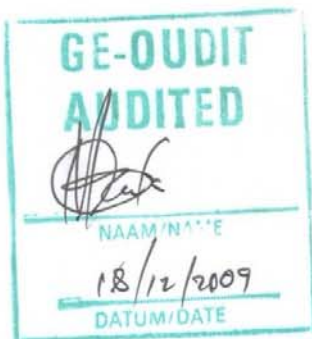
	2009	2008
Issued Share Capital (R'000)	-	-
Percentage owned by Municipality (%)	100.00%	100.00%
Indebtness of Municipal Entities (R)	-	-
Dividend received (R)	-	-
Management fees received (R)	-	-
Administration fees received (R)	-	-
Management's valuation of investments in Municipal Entities	-	-



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

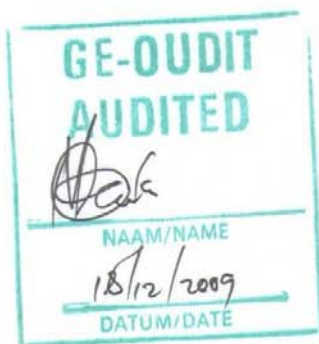
9. CONSUMER DEBTORS

	Gross Balance	Provision for bad debts	Net Balance
30 June 2009			
Service Debtors			
Rates	71 877 923	(59 983 407)	11 894 516
Electricity	34 394 512	(11 737 592)	22 656 920
Water	42 721 627	(40 116 600)	2 605 027
Sewerage	9 124 932	(7 674 499)	1 450 433
Refuse	50 634 467	(47 514 287)	3 120 180
Interest on arrears	63 878 405	(62 780 852)	1 097 553
Total	272 631 865	(229 807 238)	42 824 628
30 June 2008	296 749 520		
Service Debtors			
Rates	60 988 176	(40 726 538)	20 261 638
Electricity	21 254 718	(4 829 936)	16 424 782
Water	26 564 313	(20 831 946)	5 732 367
Sewerage	7 605 330	(5 940 429)	1 664 901
Refuse	40 755 308	(34 864 373)	5 890 935
Interest on arrears	48 874 634	(48 020 432)	854 202
Total	206 042 479	(155 013 654)	51 028 825
Ageing of consumer debtors: Total			
Current (0-30 days)		36 951 827	29 683 406
31-60 days		13 160 733	9 004 254
61-90 days		13 521 149	7 339 820
+90 days		208 998 156	160 014 999
Total		272 631 865	206 042 479
Ageing of consumer debtors: Rates			
Current (0-30 days)		10 567 996	10 267 890
31-60 days		3 279 739	2 972 994
61-90 days		3 462 369	2 348 577
+90 days		54 567 818	45 398 715
Total		71 877 923	60 988 176
Ageing of consumer debtors: Electricity			
Current (0-30 days)		16 954 661	12 062 648
31-60 days		3 790 083	1 992 357
61-90 days		2 789 856	1 202 161
+90 days		10 859 912	5 997 552
Total		34 394 512	21 254 718
Ageing of consumer debtors: Water			
Current (0-30 days)		3 005 245	2 355 768
31-60 days		2 092 952	1 257 264
61-90 days		3 730 147	1 163 024
+90 days		33 893 262	21 788 257
Total		42 721 627	26 564 313
Ageing of consumer debtors: Sewerage			
Current (0-30 days)		1 071 482	876 599
31-60 days		491 715	321 033
61-90 days		313 913	263 774
+90 days		7 247 822	6 143 924
Total		9 124 932	7 605 330



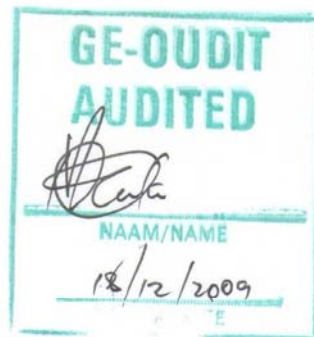
MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Ageing of consumer debtors: Refuse			
Current (0-30 days)		3 148 807	2 671 531
31-60 days		1 355 549	1 188 728
61-90 days		1 235 908	1 037 793
+90 days		44 894 204	35 857 258
Total		50 634 467	40 755 308
Ageing of consumer debtors: Interest			
Current (0-30 days)		2 203 636	1 448 970
31-60 days		2 150 696	1 271 880
61-90 days		1 988 955	1 324 491
+90 days		57 535 118	44 829 293
Total		63 878 405	48 874 634
Consumer debtors per category			
	Residential	Commercial	Government
30 June 2009			
Current (0-30 days)	19 555 339	17 958 723	916 915
31-60 days	8 582 395	4 404 620	824 308
61-90 days	8 161 028	5 233 960	869 187
+90 days	169 187 614	57 846 094	3 255 579
	205 486 376	85 443 397	5 866 989
	Consumers	Commercial	Government
30 June 2008			
Current (0-30 days)	16 043 627	13 932 354	388 471
31-60 days	5 528 341	3 274 985	324 900
61-90 days	5 548 413	2 626 915	193 291
+90 days	142 070 449	41 779 487	754 875
	169 190 830	61 613 741	1 661 537
Reconciliation of bad debt provision			
Balance at beginning of year		169 764 206	135 860 699
Contributions to provision		81 515 123	19 152 955
Bad debts recovered/(written off) against provision		(21 472 091)	0
Reclassification		0	(14 750 552)
Balance at year end		229 807 238	140 263 102



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

10.	LOANS AND RECEIVABLES	Non-Current	Current
	30 June 2009		
	Suspense accounts - Debtors	-	1 024 366
	Fire Brigade - Debtors	-	133 955
	Sundry General - Debtors	-	13 924 180
	Hire of Grounds - Debtors	-	1 292 257
	Airport - Debtors	-	125 933
	Service Contributions - Debtors	-	1 096 852
	Consumer instalments	-	7 541 126
	Indigents and abeyance	-	3 352
	Erven Debtors	277 559	4 444 271
	Housing debtors	974 883	1 095 818
	Bad debt provisions - Other Debtors	-	(28 216 443)
	Balance at year end	1 252 442	2 465 667
	Bad debts written off during the year		2 407
	30 June 2008		
	Suspense accounts	-	5 674 630
	Service contributions	-	1 487 204
	Housing debtors	-	1 065 876
	Fire brigade	-	132 798
	Hire of grounds	-	1 229 396
	Airport	-	125 933
	Year-end adjustments	-	(82 295)
	Sport loans	-	184 611
	Bursary loans	598 635	285 811
	Sundry	277 559	8 168 663
	Consumer instalments	-	10 226 750
	Indigents and abeyance	-	5 414 892
	Housing and Erven Debtors	39 283	4 833 304
	Stand Instalments	-	3 548 902
	Bad debt provisions - Other debtors	-	(22 546 844)
	Balance at year end	915 477	19 749 631
	Bad debts written off during the year		761 924
	The housing and erven debtors are as a result of sale of houses and ervens to the public at an average interest rate of 13.30% per annum before the Municipal Finance Management Act came into effect		
11.	INVESTMENTS		
	Held to Maturity Investments		
	Fixed deposits	20 017 416	17 684 242
	Total	20 017 416	17 684 242
	Investments amounting to R9,026,515 are security for certain interest bearing borrowings as per Note 3.		
12.	INVENTORIES		
	Consumable stores - at cost	13 693 494	13 340 553
	Water - at cost	15 945	15 945
	Clinic medicine - at net realisable value	49 190	49 190
		13 758 630	13 405 688



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

13. CASH AND CASH EQUIVALENTS

The municipality has the following bank accounts:

Current account (primary bank account)
Bank: ABSA Nelspruit
Account number: 40-5321-5785

Cash book balance at beginning of year	31 384 611	29 007 836
Cash book balance at end of year	50 651 120	31 384 611
Bank statement balance at beginning of year	45 144 051	53 789 839
Bank statement balance at end of year	56 608 129	45 144 051

Spiral Plan

Bank: ABSA Nelspruit
Account number: 90-6703-3766

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	3 833	-
Bank statement balance at end of year	4 139	3 833

Saving Account

Bank: ABSA Nelspruit
Account number: 90-6916-6741

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	1 304	1 377
Bank statement balance at end of year	1 282	1 304

Cheque Account (Housing)

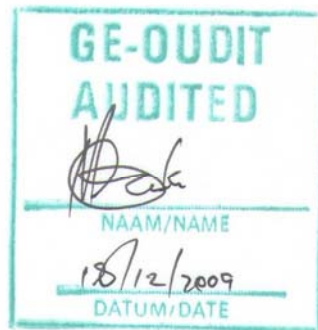
Bank: ABSA Nelspruit
Account number: 40-5414-9088

Cash book balance at beginning of year	1 768 020	2 297 364
Cash book balance at end of year	396 322	1 768 020
Bank statement balance at beginning of year	1 762 196	1 764 580
Bank statement balance at end of year	396 322	1 762 196

Cheque Account (Capital)

Bank: ABSA Nelspruit
Account number: 10-7016-6603

Cash book balance at beginning of year	399 689	372 581
Cash book balance at end of year	399 689	399 689
Bank statement balance at beginning of year	330 091	363 949
Bank statement balance at end of year	-	330 091



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Call Account (Water Deposits)

Bank: ABSA Nelspruit
Account number: 90-6983-8617

Cash book balance at beginning of year	1 238 712	1 230 402
Cash book balance at end of year	1 307 645	1 238 712
Bank statement balance at beginning of year	1 238 712	1 172 224
Bank statement balance at end of year	1 307 645	1 238 712

Call Account (Grant funding)

Bank: ABSA Nelspruit
Account number: 90-6983-9003

Cash book balance at beginning of year	82 100	77 693
Cash book balance at end of year	86 669	82 100
Bank statement balance at beginning of year	82 100	77 693
Bank statement balance at end of year	86 669	82 100

Call Account (Service contribution)

Bank: ABSA Nelspruit
Account number: 90-7568-1173

Cash book balance at beginning of year	18 443 214	12 498 150
Cash book balance at end of year	23 449 108	18 443 214
Bank statement balance at beginning of year	18 443 214	11 857 871
Bank statement balance at end of year	23 334 597	18 443 214

Call Account (Taxi disaster)

Bank: ABSA Nelspruit
Account number: 91-2727-3547

Cash book balance at beginning of year	24 927	24 128
Cash book balance at end of year	26 246	24 927
Bank statement balance at beginning of year	24 927	24 128
Bank statement balance at end of year	26 246	24 927

Call Account (2010 World Cup)

Bank: ABSA Nelspruit
Account number: 40-6774-2380

Cash book balance at beginning of year	157 957 900	71 871 561
Cash book balance at end of year	226 972 492	157 957 900
Bank statement balance at beginning of year	157 957 900	71 871 561
Bank statement balance at end of year	226 972 492	157 957 900

Cheque Account (White River Disaster Fund)

Bank: ABSA Nelspruit
Account number: 40-5141-9472

Cash book balance at beginning of year	22 816	-
Cash book balance at end of year	22 816	22 816
Bank statement balance at beginning of year	22 815	-
Bank statement balance at end of year	24 412	22 815

Call Account (Lottery Distribution Trust Fund MBOMBELA)

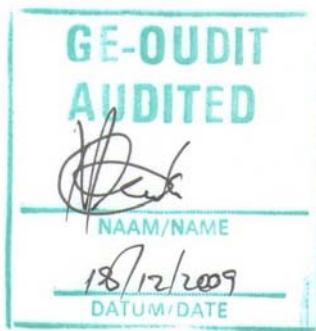
Bank: ABSA Nelspruit
Account number: 40-6856-1426

Cash book balance at beginning of year	-	-
Cash book balance at end of year	1 100 000	-
Bank statement balance at beginning of year	0	-
Bank statement balance at end of year	1 100 000	-

Reconciliation:

Bank balances - analysed above	304 412 108	211 321 989
Short-term investments	263 158 243	215 442 300
Petty cash	195 571	31 685

Total Cash book balances	567 765 922 #	426 795 974
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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

14. PROPERTY RATES

Residential	56 613 434	50 167 167
Commercial	78 421 308	73 010 557
Government	17 276 307	15 963 946
Agricultural/farms	3 094 791	2 903 323
	<u>155 405 840</u>	<u>142 044 993</u>

VALUATIONS

	R000's	R000's
Residential	870 211 631	844 450 196
Commercial	480 531 178	481 318 900
Government	59 679 500	59 679 500
Agricultural	85 537 000	83 594 500
Farms	483 252 000	500 865 000
Exempt	511 457 169	471 110 274
	<u>2 490 668 478</u>	<u>2 441 018 370</u>

Valuations on land and buildings are performed every four years. The last valuation came into effect on (for example) 1 July 1999. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.4429 (2008: R0.4099) is applied to property valuations to determine assessment rates. Various rebates are granted to residential, business, industrial, agricultural, and state property owners based on the geographical area where the properties are situated. Rates are levied on an annual basis on property owners. Rates are levied on a monthly basis. Interest at 16.5% per annum (2008: 12.5%) is levied on outstanding rates. As per section 89 of the Municipal Property Rates Act, No. 6 of 2004, an application for the extension of the existing valuation was approved by the MEC for Corporate Governance and Traditional Affairs for the 2008/2009 financial year. The legislative complaint general valuation will be implemented from 01 July 2009.

15. SERVICE CHARGES

Sale of electricity	227 314 368	181 277 960
Sale of water	18 427 793	16 290 216
Refuse removal	38 305 600	34 741 711
Sewerage and sanitation charges	12 886 179	11 170 550
	<u>296 933 941</u>	<u>243 480 437</u>

16. GOVERNMENT SUBSIDIES & GRANTS

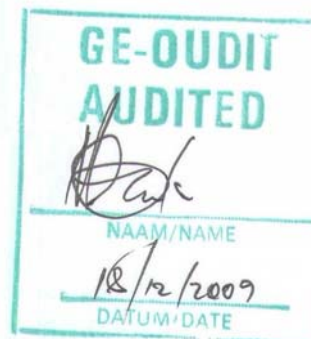
Operating Grants	179 798 446	161 950 512
Equitable share	151 160 410	117 863 860
Finance Management Grant	500 000	500 000
Municipal Support Programme	735 000	734 000
SETA Grant	855 036	484 164
Water Services Grant	26 548 000	39 875 057
Health	-	2 100 000
Space Norwegian	-	75 000
Housing	-	318 431



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MBOMBELA LOCAL MUNICIPALITY NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Capital Grants	591 565 780	327 682 162
Municipal Infrastructure Grant	71 655 800	62 775 150
DWAF Grant	8 178 929	6 951 239
DME	35 785 513	2 052 924
2010 Stadium	371 967 808	240 188 651
2010 Stadium shortfall (Provincial)	0	0
Provincial Grants	62 150	3 053 644
S.A National Roads Agency	0	0
Department of Roads and Transport	0	0
Public Transport Infrastructure Services	103 915 580	9 662 554
Department of Agriculture and Land Affairs	-	3 000 000
Total Government Grants & Subsidies	771 364 226	489 632 674
Other Conditional Contributions	3 966 901	1 065 631
SETA	313 765	1 065 631
HL. Halls & Sons	3 653 136	0
Total Government Grants, subsidies and contributions	775 331 127	490 698 305
16.1 Equitable Share	151 160 410	117 863 860
This grant is unconditional and is partially utilised for the indigent support through free basic services.		
16.2 Finance Management Grant		
Balance unspent at beginning of year	1 449 008	2 585 814
Current year receipts	500 000	500 000
Conditions met – transferred to revenue	(1 251 067)	(1 636 806)
Unspent amount transferred to liabilities (See Note 5)	697 941	1 449 008
The grant was used for the financial management internship and reforms programmes. The conditions of the grant were met.		
16.3 Municipal Support Programme		
Balance unspent at beginning of year	480 031	1 247 597
Current year receipts	735 000	734 000
Conditions met – transferred to revenue	(1 162 758)	(1 501 586)
Unspent amount transferred to liabilities (See Note 5)	52 273	480 031
This grant was used to fund the Municipal Property Rates Rates Implementation process. The conditions of the grant were met.		
16.4 SETA Grant		
Balance unspent at beginning of year	1 065 631	451 026
Adjustment - previous year	(271 813)	0
Current year receipts	855 036	614 605
Conditions met – transferred to revenue	(1 335 090)	0
Unspent amount transferred to liabilities (See Note 5)	313 765	1 065 631
This grant was used to fund training of municipal employees. The conditions of the grant were met.		
16.5 Water Services Grant		
Balance unspent at beginning of year	0	0
Current year receipts	26 548 000	39 875 057
Conditions met – transferred to revenue	(26 548 000)	(39 875 057)
Unspent amount transferred to liabilities	0	0
This grant was used to fund the operating expenses for the water schemes transferred to the municipality by DWAF. The conditions of the grant were met.		



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

16.6 **Health Grant**

Balance unspent at beginning of year	0	0
Current year receipts	0	2 100 000
Conditions met – transferred to revenue	0	(2 100 000)
Unspent amount transferred to liabilities	0	0

This grant was used to fund operating expenses for primary health care, service rendered on behalf of the provincial government.

16.9 **Municipal Infrastructure Grant (MIG)**

Balance unspent at beginning of year	15 416 812	8 436 152
Current year receipts	62 212 000	65 851 542
Conditions met – transferred to revenue	(71 655 800)	(62 775 150)
Other adjustments	(2 376 612)	3 904 268
Unspent amount transferred to liabilities (See Note 5)	3 596 400	15 416 812

This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met and no funds have been withheld.

16.10 **DWAF refurbishment**

Balance unspent at beginning of year	2 381 380	572 569
Current year receipts	26 048 000	7 628 000
Conditions met – transferred to revenue	(8 178 929)	(6 951 239)
Other adjustments	0	1 132 050
Unspent amount transferred to liabilities (See Note 5)	20 250 451	2 381 380

The grant was utilised to construct water infrastructure in informal areas. The conditions of the grant were met and no funds have been withheld.

16.11 **DME**

Balance unspent at beginning of year	(837 794)	1 215 130
Current year receipts	49 320 000	0
Conditions met – transferred to revenue	35 785 513	(2 052 924)
Other adjustments	837 794	0
Unspent amount transferred to debtors (See Note 5)	13 534 487	(837 794)

The grant was utilised to instal electricity infrastructure in informal areas. The conditions of the grant were met and no funds have been withheld.

16.12 **2010 World Cup Stadium**

Balance unspent at beginning of year	157 881 973	72 371 107
Current year receipts	390 537 229	318 186 061
Conditions met – transferred to revenue	(371 967 808)	(240 186 651)
Other adjustments	0	7 511 456
Unspent amount transferred to liabilities (See Note 5)	176 451 394	157 881 973

The grant was utilised in the construction of a stadium for the 2010 World Cup. The conditions of the grant were met and no funds have been withheld.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

16.13 Provincial Grants

Balance unspent at beginning of year	11 177 527	14 066 332
Current year receipts	1 739 856	7 781 259
Conditions met – transferred to revenue (Operating)	(4 952 320)	(3 053 644)
Conditions met – transferred to revenue (Capital)	(62 150)	(5 507 324)
Other adjustments	(6 424 783)	(2 247 106)
Unspent amount transferred to liabilities (See Note 5)	1 478 130	11 039 517

The grant was utilised to instal roads, water and sewerage infrastructure in informal areas. The conditions of the grant were met and no funds have been withheld.

16.14 Public Transport Infrastructure Services

Balance unspent at beginning of year	47 147 446	0
Current year receipts	195 544 000	55 000 000
Conditions met – transferred to revenue	(103 915 580)	(9 662 554)
Other adjustments	0	1 810 000
Unspent amount transferred to liabilities (See Note 5)	138 775 866	47 147 446

The grant was used to construct new and improve existing public transport and non-motorised transport infrastructure for the 2010 World Cup. The conditions of the grant were met and no funds have been withheld.

16.15 Department of Agriculture and Land Affairs

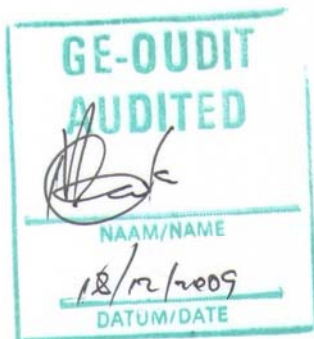
Balance unspent at beginning of year	0	0
Current year receipts	0	3 000 000
Conditions met – transferred to revenue	0	(3 000 000)
Other adjustments	0	0
Unspent amount transferred to liabilities	0	0

The grant was used for a specific development project. The conditions of the grant were met and no funds have been withheld.

16.16 EDM

Balance unspent at beginning of year	894 200	894 200
Current year receipts	20	0
Conditions met – transferred to revenue	0	0
Other adjustments	(894 220)	0
Unspent amount transferred to liabilities	0	894 200

The grant was used to construct roads and water infrastructure. The conditions of the grant were met and no funds have been withheld.



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MBOMBELA LOCAL MUNICIPALITY NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

16.17 Sport

Balance unspent at beginning of year	1 940	1 940
Current year receipts	0	0
Conditions met – transferred to revenue	0	0
Other adjustments	(1 940)	0
Unspent amount transferred to liabilities	0	1 940

The grant was used to construct Nsikasi Sports Stadium. The conditions of the grant were met and no funds have been withheld.

16.18 LED

Balance unspent at beginning of year	16 929	16 929
Current year receipts	0	0
Conditions met – transferred to revenue	0	0
Other adjustments	(16 929)	0
Unspent amount transferred to liabilities	0	16 929

The grant was used to promote SMME businesses within the municipal area in accordance with an approved business plan.

16.19 2010 SOCCER WORLD CUP (PROVINCE)

Balance unspent at beginning of year	0	0
Current year receipts	48 000 000	0
Conditions met – transferred to revenue	0	0
Other adjustments	0	0
Unspent amount transferred to liabilities (See Note 5)	48 000 000	0

The grant to be utilised in the construction of a stadium for the 2010 World Cup. The conditions of the grant were not yet met.

16.20 S.A NATIONAL ROADS AGENCY

Balance unspent at beginning of year	0	0
Current year receipts	6 245 684	0
Conditions met – transferred to revenue	0	0
Other adjustments	0	0
Unspent amount transferred to liabilities (See Note 5)	6 245 684	0

The grant to be used for a specific development project. The conditions of the grant were not yet met.

16.21 DEPARTMENT ROADS & TRANSPORT

Balance unspent at beginning of year	0	0
Current year receipts	1 885 490	0
Conditions met – transferred to revenue	0	0
Other adjustments	0	0
Unspent amount transferred to liabilities (See Note 5)	1 885 490	0

The grant to be used for a specific development project. The conditions of the grant were not yet met.

16.22 OTHER CONDITIONAL CONTRIBUTIONS - HL HALLS & SONS

Balance unspent at beginning of year	0	0
Current year receipts	3 653 136	0
Conditions met – transferred to revenue	0	0
Other adjustments	0	0
Unspent amount transferred to liabilities (See Note 5)	3 653 136	0

The grant to be used for a specific development project. The conditions of the grant were not yet met.



Annexure 427/2010

MBOMBELA LOCAL MUNICIPALITY NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

17.	PUBLIC CONTRIBUTIONS, DONATED AND CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
	Donation Received: Mayoral Projects	6 233	0
	DBSA	0	0
	National Lotto	0	0
		<u>6 233</u>	<u>0</u>
18.	INVESTMENT REVENUE		
	Current account	4 094 581	2,979,181
	External investments	37 172 829	30 121 700
		<u>41 267 409</u>	<u>33 100 881</u>
19.	OTHER REVENUE		
	Building Control	6 443 273	190 672
	Burial fees	417 777	0
	Clearance Certificates	267 723	0
	Concession fees	687 500	0
	Sundry electricity income	3 352 640	2 318 348
	Fire brigade services	11 734	0
	Service Contribution	8 284 936	0
	Sale of bulk water - Stilulumanzi	11 545 378	0
	Other sundry income	4 493 731	1 337 981
	Total other revenue	<u>35 604 691</u>	<u>3 847 001</u>
20.	EMPLOYEE RELATED COSTS		
	Employee related cost - Salaries and wages	148 731 521	124 562 512
	Employee related cost - Social contributions	41 357 190	34 976 425
	Travel, motor car, accommodation & other	12 249 465	9 899 839
	Housing benefits and allowances	6 996 148	6 141 279
	Overtime benefits	28 020 419	16 655 238
		<u>237 354 742</u>	<u>192 235 293</u>
	There were no advances paid to employees.		
	Municipal Manager		
	Annual remuneration	620 672	545 777
	Pension Contributions	135 599	122 887
	Medical Aid Contributions	41 310	38 496
	Motor vehicle and cell phone	123 584	112 840
		<u>921 166</u>	<u>820 000</u>
	Deputy Municipal Manager		
	Annual remuneration	520 647	461 135
	Pension Contributions	113 726	102 995
	Medical Aid Contributions	36 522	34 308
	Motor vehicle and cell phone	133 791	121 562
	Other benefits or allowances	60 567	-
		<u>865 253</u>	<u>720 000</u>
	Chief Financial Officer		
	Annual remuneration	590 351	365 324
	Pension Contributions	129 290	58 228
	Medical Aid Contributions	22 286	4 524
	Motor vehicle and cell phone	80 147	91 500
	Other benefits or allowances	22 296	-
		<u>844 370</u>	<u>519 576</u>
	**2007/08 The position of CFO was vacant for the period Jan - March 2008		
	General Manager Technical		
	Annual remuneration	453 952	404 235
	Pension Contributions	98 653	88 703
	Motor vehicle and cell phone	139 869	127 062
		<u>692 474</u>	<u>620 000</u>
	General Manager Community		
	Annual remuneration	424 650	221 962
	Pension Contributions	91 759	48 220
	Medical Aid Contributions	18 816	13 257
	Motor vehicle and cell phone	163 062	149 297
	Other benefits or allowances	39 650	-
		<u>737 937</u>	<u>432 736</u>
	**07/08 Appointed October 2007		
	General Manager Corporate		
	Annual remuneration	439 191	389 465
	Pension Contributions	94 830	85 517
	Medical Aid Contributions	40 716	37 956
	Motor vehicle and cell phone	117 769	107 062
		<u>692 505</u>	<u>620 000</u>

No performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act.

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

21. REMUNERATION OF COUNCILLORS

Executive Mayor	610 638	416 582
Annual remuneration	578 634	251 176
Pension Contributions	-	37 676
Medical Aid Contributions	-	14 400
Motor vehicle and cell phone	32 004	113 330

*08/09 Remuneration of the Executive Mayor include backpay May and June 2008

**07/08 Remuneration of Executive Mayor for the period June 2007 to April 2008

Deputy Executive Mayor	446 844	402 478
Annual remuneration	266 067	238 123
Pension Contributions	39 798	35 718
Medical Aid Contributions	17 280	17 280
Motor vehicle and cell phone	123 699	111 357

Speaker	360 084	402 478
Annual remuneration	222 168	238 123
Pension Contributions	30 436	35 718
Medical Aid Contributions	8 640	17 280
Motor vehicle and cell phone	98 840	111 357

*The position of the Speaker was vacant for the period Jan 2009 to Mar 2009

Chief Whip	419 815	377 307
Annual remuneration	248 418	222 302
Pension Contributions	37 150	33 345
Medical Aid Contributions	17 280	17 280
Motor vehicle and cell phone	116 967	104 380

Mayoral Committee members	874 823	1 527 912
Annual remuneration	527 075	935 822
Pension Contributions	78 687	100 373
Medical Aid Contributions	25 381	61 002
Motor vehicle and cell phone	243 681	430 716

Due to Section 139(1)(b) of the Constitution provincial intervention, Mayoral committee was disbanded in April 2008 and re-established in March 2009.

Councillors	11 098 612	9 694 682
Annual remuneration	8 609 195	5 824 553
Pension Contributions	994 186	911 850
Medical Aid Contributions	272 805	162 209
Motor vehicle and cell phone	3 222 427	2 796 070

In-kind benefits 13 810 817 12 821 440

The Executive Mayor, Speaker and Mayoral Committee Members are full time. Each is provided with an office and secretarial support at the cost of Council.

The Executive Mayor has use of a Council owned vehicle and driver for official duties.

The Executive Mayor has one - full time bodyguard

22. FINANCE COST

Local Registered Stock loans	2 028 800	2 028 800
Annuity loans	7 449 285	8 856 251
Deferred interest	(44 998)	
Interest on finance leases	(86 919)	

9 346 168 10 885 051



Annexure 427/2010

MBOMBELA LOCAL MUNICIPALITY NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

23. BULK PURCHASES

Electricity	170 731 111	110 704 382
Water	4 791 949	4 942 872
	<u>175 523 060</u>	<u>115 647 254</u>

24. GRANT AND SUBSIDIES PAID

Animal Care : SPCA	198 126	209 717
	<u>198 126</u>	<u>209 717</u>

25. CORRECTION OF ERROR: OTHER

25.1 Correction of errors : 30 June 2008

During the year ended 30 June 2008 corrections were made and appropriated to the Accumulated Surplus Account. Details of the appropriations are as follows:

Raising of SETA refunds as a conditional grant in the year ended 30 June 2007. Seta refunds were classified as conditional grants but has been credited to revenue in the year ended 30 June 2007.

- 637 536

Audit fees relating to periods prior to 30 June 2007 were not accrued. Expenses were understated in these accounting periods.

- 309 931

Suspense account balances were erroneously raised in the year ended 30 June 2002. This error was corrected by reversing the incorrect accrual.

- (4 589 274)

Expenditure was incorrectly recorded as capital under construction in the year ended 30 June 2005. The contract was cancelled. To correct this error, the capital under construction has been expensed.

- (203 564)

VAT inputs was not incorrectly accounted for with the associated transaction in the same financial year. Expenses in the year ended 30 June 2007 are therefore understated. An adjustment was processed to correct this error in the appropriate financial year.

- 1 395 628

Explanation outstanding

- (426 800)

Explanation outstanding

- 4 584 809

Net effect on surplus/(deficit) for the year

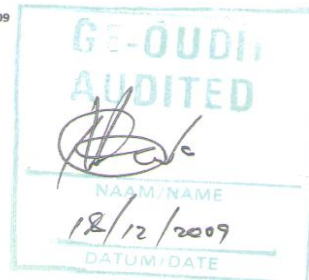
- 1 708 265

(PORTION AFFECTING STATEMENT OF FINANCIAL PERFORMANCE)

(PORTION AFFECTING STATEMENT OF FINANCIAL POSITION)



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009



25.2 Correction of errors : 30 June 2009

Adjustments made to "Other Assets" arising from the verification and bar-coding of such assets. The correction of error relates to the difference between what was previously recorded and the new "Other Assets" fixed asset register. According to the transitional arrangements that have applied to municipalities, the adjustment made from establishing accurate asset values must be made against the accumulated surplus.

19 086 370

Adjustments made to intangible assets arising from the verification and coding of such assets. The correction of error relates to the difference between what was previously recorded and the new intangible assets register. According to the transitional arrangements that have applied to municipalities, the adjustment made from establishing accurate asset values must be made against the accumulated surplus.

Adjustments to cost

14 213 846

Adjustments to accumulated amortisation

(10 047 860)

The balance on housing development fund has been transferred to Capital Replacement Reserve

#REF!

26. CASH GENERATED FROM/(UTILISED IN) OPERATIONS

Net surplus for the year	532 998 205	372 523 029
Adjustment for:		
Correction of prior year error		(715 597)
Depreciation charges	35 609 032	35 820 927
Provision for bad debts	39 725 915	35 391 827
Interest received	102 296 729	(30 121 700)
Interest paid	(41 267 409)	10 885 051
Loss/(gain) on disposal	9 346 168	(1 489 395)
	37 213	
Operating surplus before working capital changes	678 745 863	422 294 142
Increase in inventories	(352 941)	(2 456 191)
Increase in consumer debtors	(69 931 294)	(44 010 862)
(Increase)/decrease in loans and receivables	(6 877 273)	15 051 082
Decrease in other receivables	0	22 580 148
Increase in conditional grants	179 129 025	137 457 290
Increase in trade payables	34 801 779	11 525 339
Decrease/(increase) in VAT	18 592 340	(21 260 045)
Cash generated from operating activities	834 107 489	541 191 193

27. ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003

27.1 Contribution to SALGA

Council membership fees payable	993 216	836 966
Amount paid current year	(993 216)	(635 323)
Balance unpaid (included in creditors)	-	201 643

27.2 Audit Fees

Current year audit fee	1 893 261	1 528 464
Amount paid current year	(564 219)	(727 840)
Balance unpaid (included in creditors)	1 329 043	800 624

27.3 VAT

VAT is payable on the cash basis. All VAT returns have been submitted by the due date throughout the year.	2 667 705	21 260 045
	2 667 705	21 260 045

27.4 Pay as You Earn (PAYE)

Current payroll deductions	28 593 523	21 462 067
Amount paid current year	(28 593 523)	(21 462 067)
Balance unpaid	-	-

Annexure 427/2010

MBOMBELA LOCAL MUNICIPALITY NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

27.5 Unemployment Insurance Fund (UIF)			
Current payroll deductions	2 890 619	2 485 360	
Amount paid current year	(2 890 619)	(2 485 360)	
Balance unpaid	-	-	
27.6 Medical Aid			
Current payroll deductions	15 760 547	13 550 407	
Amount paid current year	(15 760 547)	(13 550 407)	
Balance unpaid	-	13 550 407	
27.7 Pension Fund			
Current payroll deductions	42 128 431	35 887 741	
Amount paid current year	(42 128 431)	(35 887 741)	
Balance unpaid	-	-	
28. 28 COMMITMENTS			
Commitments in respect of capital expenditure:			
Approved and contracted for			
Infrastructure	282 245 376	254 460 134	
Community	231 011 831	14 645	
Other	127 324 193	1 637 105	
	640 581 400	256 111 884	
The expenditure will be financed from:			
- Capital Replacement Reserve	224 997 394	23 173 417	
- External Loans	78 885 647	9 225 886	
- Government Grants	336 698 159	223 712 581	
	640 581 400	256 111 884	
29. IRREGULAR, UNAUTHORISED AND WASTEFULL, FRUITLESS EXPENDITURE			
The below summary of irregular expenditure was incurred during the 2008/09 financial year			
2009			
Description	Amount		
	R		
Youth Summit and excellence awards	1 114 900	N2.1	
Erroneous Payout of performance bonuses	510 416		
The below summary of fruitless and wasteful expenditure was incurred during the 2008/09 financial year			
2009			
Description	Amount		
	R		
Insurance excess for rented car partly insured	33 295	N2.1	
Salary payment to a dismissed employee	3 522		
The below summary of unauthorised expenditure was incurred during the 2007/08 financial year			
2008			
Description	Amount		
	R		
Payment of Bonuses	721 368	N2.1	
Bolmac PPP	498 750		
Mass Containers	314 988		
Fraudulent Overtime Payment	11 822		
Rebuilding of KaNyamazane Stadium Wall/Hall	18 870		
Absent from Office	Salary and benefits of incumbent for period 1/12/2007 until 30/03/2008		
	9 987 644	N2.1	
Contract with Asset West Finance as ceded to INCA			
Payment of acting allowances	Acting allowances of a acting CFO, for seven days.		
30. RESTATEMENT OF COMPARATIVE FIGURES			
Certain comparative amounts have been restated to better enable comparisons with the current year.			
31. POST BALANCE SHEET EVENTS			
- The Municipal Manager is still on suspension with full pay. - Audit Committee Mr S Cousins was appointed on 15 July 2009 to replace Ms B Bando.			



Annexure 427/2010

MBOMBELA LOCAL MUNICIPALITY NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

32. CONTINGENT LIABILITIES

Parties	Nature of the claim & status report	Amount claimed	Estimated contingent liability	Estimated legal cost
		R	R	R
Botmac Mbombela (Pty) Ltd / MLM	Breach of contract based on failure to honour payment and loss of future income due to MLM's repudiation of the of public Private Partnership agreement. MLM has been advised to settle without prejudice and without admission of liability. Matter may be settled. the offer yet to be approved for settlement of the case is R 2 000 000.00	19 788 505 19 788 505 (2008)	Estimated between 2 000 000.00 and 6 000 000.00	500 000
Telegenix 655 Trading CC / MLM	Claim emanates from termination of a tender following a court order which set aside the award. Based on legal advice Council is defending the matter.	7 313 522 7 313 522 (2008)	280 000	120 000
GXZ Business Enterprises / MLM	Claim emanates from a fire that destroyed a business and stock. MLM's fire fighter allegedly failed or neglected to carry out their duty to extinguish the fire, rescue property etc. The breakdown of the fire truck was due to mechanical failure. No summons has been served. Claim referred to insurance for consideration.	1 301 475 1 301 475 (2008)	2 000 000	570 000
Mduli P / MLM	This application to interdict transfer of the land on which the 2010 world cup stadium is being constructed into MLM's name.	None	None	159 000
FP Prolius / V Sibya / MLM	This claim emanates from a defamation related incident. MLM is alleged to be vicariously liable as the employee concerned was acting within the scope and cause of his employment at the time of the incident. A legal opinion obtain advises that MLM has a bona fide defence and should defend the case.	100000 100 000 (2008)	None	50 000
Bert Houy / MLM	Matter relates to placement of employees. The matter is being resolved by establishing a committee to look into whether the employees involved were properly placed.	None	None	50 000
Machaba M & Others / MLM	Claim for recovery of reasonable replacement costs of property demolished without a court order. Matter may be settled by public liability insurance. The insurer has repudiated cover. Following legal advice an offer has been made to the plaintiff. The amount offered is R 30 800 in full and final settlement.	437 624 437 624 (2008)	40 000	6000
Ngaia J / MLM	Employment placement / salary disparity dispute. Case has been partly settled	Retrospective payment from placement	1 000 000	80 000
MLM / Various officials	Payment of previous acting allowance / work done outside job descriptions. No legal costs - matter handled internally.	2 843 905	2 843 905	none

2007

- (1). Action was instituted against the Municipality by Telegenix 655 Trading CC in the amount of R7 313 522.36
(2). Botmac Mbombela (Pty) Ltd claimed R19 million. Attorney's estimate of financial exposure (inclusive of costs and disbursements) is R6 000 000. Attorney's remarks: Matter may be settled.

33. CONTINGENT ASSETS

Parties	Nature of the claim & status report	Amount claimed	Estimated contingent asset	Estimated legal cost
		R	R	R
MLM / Morgan C	MLM is the plaintiff in this matter. MLM seeks an order to cancel sale of immovable property	None	None	42 000
Phelebe M / MLM	Enrichment claim against a former employee. The employee was paid a salary whilst absent without leave. The legal costs will be recovered from the former employee.	63 394	None	30 000
Africon / MLM	recovery of overpaid professional fees outside the budgeted amount and contrary to instructions. MLM is the claimant.	3 486 176	none	200 000

Notes:

Amount Claimed : represent the actual amount claimed as per summons or to be recovered from the third party (asset)
Estimated Contingent liability : estimated liability of Council as matter may be settled or ordered
Estimated Legal Cc represents the estimated legal costs to be incurred by Council to dispose of the matter



APPENDIX A
SCHEDULE OF INTEREST BEARING BORROWINGS AS AT 30 JUNE 2008

External Loans	Loan No.	Redeemable	Balance at 30 June 2008	Interest paid during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2009
			R	R	R	R	R
INTEREST BEARING BORROWINGS							
Local Registered Stock	3	1976/2001	3 000	0	0	0	3 000
Stock Loan@ 11.60%	79A	30/06/2011	2 900 000	498 800	0	0	2 900 000
Stock Loan@ 17.20%	80A	30/06/2011	9 000 000	1 530 000	0	0	9 000 000
Stock Loan@ 17.00%			11 903 000	2 028 800	0	0	11 903 000
Annuity Loans							
AGSA R14 350 000 @13.10%		2002/2012	8 486 629	1 022 339	0	1 558 523	6 938 106
Della R1 000 000			769 139	0	0	0	769 139
DBSA R22 000 000 @15.50%		1998/2016	19 186 525	2 776 191	0	1 209 388	17 977 127
INCA R25 000 000 @ 10.50%		2005/2020	22 593 684	2 245 876	0	1 038 252	21 555 432
INCA R20 000 000 @ 16.43%		2000/2009	3 070 237	214 629	0	3 070 237	0
INCA R15 000 000 @12.61%		2001/2011	6 665 039	731 223	0	1 949 441	4 715 598
INCA R 8 300 000 @12.61%		2002/2011	3 773 843	414 030	0	1 103 802	2 670 041
			64 555 096	7 404 288	0	9 929 653	54 625 443
TOTAL INTEREST BEARING BORROWINGS							
			76 455 096	9 433 088	0	9 929 653	66 525 443
Finance Leases:							
Various	Various	Various	333 898	(66 919)	0	0	420 817
Correction of Error						(361 498)	(361 498)
Net-Finance Leases			333 898	(66 919)	0	(361 498)	59 319
Total External Loans							
			76 791 994	9 346 169	0	9 568 155	66 557 762

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2009

	HISTORICAL COST				ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions/Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/Transfers	Disposals	
	R	R	R	R	R	R	R	R	R
LAND AND BUILDINGS									
Civic land & buildings	87 798 822	11 019 769	87 859	1 446 247	97 460 303	27 545 037	1 950 431	488 889	29 006 579
Other land & buildings	16 969 238	0	0	235 500	16 733 738	1 900 263	385 413	55 247	2 310 450
	70 829 683	11 019 769	87 859	1 210 747	80 726 864	25 564 754	1 565 018	433 642	26 696 130
INFRASTRUCTURE									
Roads, pavements, bridges & waterways	963 280 900	214 349 053	30 681 528	1 602 483	1 211 709 688	270 455 872	32 013 459	472 602	301 586 729
Water supply	339 700 340	46 676 737	5 250 326	0	390 627 403	103 613 904	10 705 874	114 379 763	114 379 763
Waste water	452 420 851	28 902 286	13 872 052	0	485 194 889	137 118 362	14 072 012	0	151 190 374
Sewerage purification & treatment	79 854 223	16 956 487	4 319 174	0	101 129 884	9 924 074	2 635 615	0	12 559 689
Car parks, bus terminals & taxi ranks	923 491	0	0	0	923 491	176 598	23 067	0	199 665
Electricity reticulation	61 233 298	65 740 940	5 489 096	0	132 463 334	10 922 592	2 903 448	0	13 826 041
Housing	2 418 044	0	0	1 602 483	815 561	629 526	16 311	472 602	13 826 041
Street lighting	5 694 911	0	0	0	5 694 911	2 071 819	271 001	0	173 239
Refuse sites	7 694 355	0	0	605 410	8 299 805	670 173	466 496	0	2 342 820
Other	19 341 547	56 072 703	1 145 568	0	76 559 818	5 328 818	859 611	0	1 136 672
	463 168 408	419 656 625	141 697	0	881 966 720	5 821 633	844 481	0	6 666 114
COMMUNITY ASSETS									
Establishment of parks & reserves	253 708 313	0	0	0	253 708 313	2 204 526	168 461	0	2 373 007
Sports fields	198 513 957	419 522 744	141 697	0	618 178 398	1 339 743	310 754	0	1 650 497
Community halls	1 360 764	71 731	0	0	1 432 495	421 300	34 042	0	455 342
Libraries	184 736	0	0	0	184 736	46 791	4 311	0	51 102
Recreational facilities	3 529 537	0	0	0	3 529 537	1 272 281	126 732	0	1 399 013
Clinics	27 816	0	0	0	27 816	27 816	27 816	0	27 816
Museums & art galleries	4 843 285	62 150	0	0	4 905 435	509 177	200 160	0	709 337
	78 904	0	0	0	78 904	966	966	0	1 972
HERITAGE ASSETS									
Heritage Assets	78 904	0	0	0	78 904	966	966	0	1 972
	78 904	0	0	0	78 904	966	966	0	1 972
OTHER ASSETS									
Other Motor Vehicles	104 235 949	34 452 637	93 265	0	138 781 851	64 535 592	4 915 568	0	69 452 150
Office Equipment	40 953 616	8 472 373	0	0	49 425 989	29 597 691	1 877 444	0	17 600 848
Markets	16 816 252	328 979	0	0	17 145 231	16 375 457	422 968	0	16 798 426
Security Measures	272 496	0	0	0	272 496	29 975	5 450	0	35 425
Other	387 555	0	90 000	0	477 555	121 698	36 256	0	157 954
Refuse	36 251 207	18 379 851	3 265	0	54 634 323	17 041 316	1 770 662	0	18 611 998
Fire	4 546 027	4 916 967	0	0	9 462 994	861 906	391 871	0	1 273 777
Conservancy	827 150	2 354 568	0	0	3 181 718	179 216	55 143	0	234 359
	4 179 242	0	0	0	4 179 242	306 333	356 742	0	665 075
	104 235 949	34 452 637	93 265	0	138 781 851	64 535 592	4 915 568	0	69 452 150
SUB TOTAL	1 622 563 083	679 478 084	31 004 449	3 048 740	2 339 996 877	368 359 120	39 725 915	961 491	407 123 545
Error Correction Note 25	(13 653 687)	0	0	0	(13 653 687)	(46 966 216)	(14 226 269)	(14 226 269)	(32 739 857)
SUB TOTAL	1 622 563 083	665 824 497	31 004 449	3 048 740	2 316 343 290	321 392 904	39 725 915	(14 226 269)	374 383 568
Less transfer to intangibles	14 213 846	0	50 000	0	14 303 846	7 255 268	2 768 592	0	10 447 860
TOTAL	1 622 563 083	651 610 651	31 004 449	3 048 740	2 302 039 444	314 133 636	36 957 323	(14 226 269)	354 335 728
									1 837 703 716

APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2009

	HISTORICAL COST				ACCUMULATED DEPRECIATION			
	Opening Balance	Additional Transfers	Under Construction	Disposals	Closing Balance	Additional Transfers	Disposals	Closing Balance
	R	R	R	R	R	R	R	R
EXECUTIVE & ADMINISTRATION								
Council General	466 716 164	519 535 351	141 697	-	989 397 242	2 922 558	-	4 018 503
Executive Mayor & Conditions	713 713	-	-	-	713 713	134	-	848 147
Municipal Manager	1 089 173	524 446	-	-	1 613 619	133 000	-	1 746 619
Chief operations Manager	458 391 629	519 535 351	141 697	-	979 060 907	1 530 268	-	2 479 346
FINANCE & ADMINISTRATION								
Chief Financial Officer	30 604 322	14 847 267	177 859	3 048 740	42 330 708	17 869 869	2 299 761	58 000 777
Financial Planning	3 071 050	-	-	-	3 071 050	2 872 351	-	5 943 401
Income and Revenue Management	549 183	328 878	-	-	878 061	437 866	-	1 315 927
Debt Collection and Credit Control	2 616 415	168 484	-	-	2 784 899	1 771 664	-	4 556 563
Information Technology (Computer Services)	1 266 122	431 722	-	-	1 697 844	1 205 018	-	2 902 862
Human Resources	625 381	-	-	-	625 381	21 568	-	646 949
Support Services	2 895 691	-	-	-	2 895 691	275 927	-	3 171 618
Administration & Legal Services	18 205 012	13 281 586	87 656	3 045 746	31 599 995	8 598 696	961 491	40 148 182
Director Corporate Services Administration	31 592	-	90 000	-	121 592	728 753	2 170	1 019 315
PLANNING & DEVELOPMENT								
Planning & development	34 172 220	-	-	-	34 172 220	10 697 434	-	44 869 654
Technical & Civil Engineering	20 813 646	-	-	-	20 813 646	7 697 702	-	28 511 348
Roads & stormwater	13 358 574	-	-	-	13 358 574	3 809 522	-	17 168 096
ROAD TRANSPORT								
Vehicle licensing & testing	372 257 016	38 788 586	-	-	411 045 602	120 665 385	12 405 442	539 753 525
Roads & stormwater	7 639 197	-	-	-	7 639 197	2 028 762	-	9 667 959
Roads other	325 623 583	38 788 586	-	-	364 412 169	94 662 726	12 084 457	477 157 352
HEALTH								
Health Services	707 233	-	-	-	707 233	839 561	55 866	1 302 659
COMMUNITY & SOCIAL SERVICES								
Libraries & archives	63 806 071	1 687 620	-	-	65 493 691	21 087 517	1 002 162	86 581 268
Museums & Art Galleries	2 626 509	62 559	-	-	2 689 068	144 267	-	2 833 335
Community halls, Culture Centres & facilities	12 806 026	71 731	-	-	12 877 757	3 881 627	-	16 759 384
Child Centre	15 198 432	-	-	-	15 198 432	8 516 415	-	23 714 847
Conservatories & ornamental lawns	21 051 049	-	-	-	21 051 049	8 516 415	-	29 567 464
Director Community Services	7 142 186	1 523 788	-	-	8 665 974	793 146	-	9 459 120
PUBLIC SAFETY								
Fire & Rescue	24 086 854	11 844 160	3 265	-	36 034 219	13 408 405	1 011 653	49 453 277
Public Safety Other	7 816 434	3 625 573	-	-	11 442 007	4 150 378	312 508	15 904 893
ENVIRONMENTAL PROTECTION								
Waste management	16 168 420	8 318 530	3 265	-	24 490 215	9 218 028	689 144	34 117 307
SPORT & RECREATION								
Sport & recreation	14 623 935	-	433 020	-	15 056 955	2 347 710	303 887	17 360 552
Waste water management	13 816 331	96 189 139	433 020	-	109 448 490	2 347 710	303 887	112 140 000
Sewerage	133 916 331	16 119 129	-	-	150 035 460	42 618 850	4 386 940	197 459 391
WASTE MANAGEMENT								
Refuse & Solid waste	23 143 772	7 035 765	605 410	-	30 784 947	11 276 823	1 040 193	41 061 940
Housing	7 843 634	3 035 765	605 410	-	11 484 809	11 276 823	1 040 193	23 761 825
Other	289 163 911	41 279 081	24 164 097	-	354 607 089	60 184 189	8 716 588	423 507 766
Water	229 421 907	41 279 081	23 783 320	-	294 483 308	38 787 254	7 342 621	335 613 183
Water purification	89 732 324	-	-	-	89 732 324	11 416 936	-	101 149 260
Electricity	107 685 818	36 478 162	9 488 088	-	153 652 068	72 210 744	7 038 816	232 881 626
Street lighting	51 111 425	30 470 102	5 488 088	-	87 069 615	70 023 309	7 038 816	164 131 739
SUB TOTAL								
Error Correction Note 25	1 822 663 081	31 004 447	3 048 740	-	2 206 956 268	388 336 121	30 726 915	2 585 292 384
TOTAL	1 822 663 081	31 004 447	3 048 740	-	2 206 956 268	388 336 121	30 726 915	2 585 292 384
Less transfer to intangible assets	-	-	-	-	-	-	-	-
ADJUSTED TOTAL	1 822 663 081	31 004 447	3 048 740	-	2 206 956 268	388 336 121	30 726 915	2 585 292 384

APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008	2008	2008	2008	2009	2009	2009
ACTUAL	ACTUAL	ACTUAL	SURPLUS /	ACTUAL	ACTUAL	SURPLUS /
INCOME	EXPENDITURE	EXPENDITURE	(DEFICIT)	INCOME	EXPENDITURE	(DEFICIT)
R	R	R	R	R	R	R
117,863,860	110,287,767	7,576,093	Executive & Council	155,975,405	115,978,933	39,996,472
202,476,843	118,000,026	84,476,817	Finance & Admin	232,586,319	116,671,042	115,915,277
6,823,413	16,512,803	(9,689,390)	Planning & Development	2,318,110	22,769,422	(20,451,312)
2,309,130	8,850,082	(6,540,952)	Health	-	-	-
251,138,695	38,636,166	212,502,529	Community & Social Services	417,268,774	37,373,543	379,895,231
59,044,011	93,959,904	(34,915,893)	Public Safety	80,878,828	115,532,556	(34,653,728)
-	-	-	Sport & Recreation	-	-	-
58,190,074	82,599,067	(24,408,993)	Waste Management	59,761,541	83,676,203	(23,914,662)
34,404,211	45,499,424	(11,095,213)	Road Transport	29,394,791	62,399,927	(33,005,136)
85,379,149	81,042,881	4,336,268	Water	142,363,270	90,683,721	51,679,549
191,880,956	176,378,548	15,502,408	Electricity	275,453,639	217,879,911	57,573,727
1,009,510,342	771,766,668	237,743,674	Sub-Total	1,396,000,677	862,965,259	533,035,418
-	(134,710,321)	134,710,321	Less Inter-Department Charges	-	-	-
1,009,510,342	637,056,347	372,453,995	Total	1,396,000,677	862,965,259	533,035,418

APPENDIX E (1)
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual R	2009 Budget R	2009 Variance R	2009 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	155 405 840	159 242 682	(3 836 842)	(2.41)	
Service charges	296 933 941	309 233 128	(12 299 187)	(3.98)	
Rental of facilities and equipment	1 595 756	2 251 870	(656 114)	(29.14)	The budget for rental of municipal flats was adjusted downwards when council alienated employees flats.
Interest earned – external investments	41 287 409	17 832 087	23 455 322	131.42	2010 Soccer stadium and other related projects utilised grants invested
Interest earned – outstanding debtors	30 810 293	24 074 442	6 735 851	27.96	Due to increase on outstanding debts by R64 million. The municipality has appointed a debt collection agency which is remunerated based on performance.
Fines	4 556 526	5 374 282	(817 756)	(15.22)	Inadequate traffic fines collection measures
Licenses & permits	4 605 117	3 429 500	1 175 617	34.28	Increase in number of applicants
Revenue for agency services	53 956 879	55 000 000	(1 043 121)	(1.90)	
Government grants & subsidies – operating	179 798 446	183 435 502	(3 637 056)	(1.98)	
Government grants & subsidies – capital	591 565 760	0	591 565 760	100%	Nci budgeted due to nature of the grant
Public contributions, donated and contributed property, plant and equipment	6 233	0	6 233		
Other revenue	35 498 458	21 293 308	14 205 150	66.71	Sale of bulk water to Sitlumanzi
Internal Transfers		7 889 155	(7 889 155)	(100.00)	The actual expenditure was offset against the respective cost centres' internal recoveries
Total Revenue	1 396 000 677	789 055 956	606 944 721	76.92	
EXPENDITURE					
Employee related costs	237 354 742	245 091 848	(7 737 106)	(3.16)	
Remuneration of councillors	13 810 816	13 924 589	(113 753)	(0.82)	
Bad debts	102 296 729	34 582 508	67 714 221	195.80	Compliance with Grap standards on impairment and fairvalue of debtors
Collection costs	248 089	728 000	(479 911)	(65.92)	Delay in the appointment of debt collection agencies
Depreciation	39 725 915	40 018 993	(293 078)	(0.73)	
Repairs & maintenance	90 258 715	96 631 610	(6 372 895)	(6.60)	
Finance costs	9 346 168	18 523 366	(9 177 198)	(48.54)	No new loan was taken during 2008/09 financial year as anticipated
Bulk purchases	175 523 061	176 420 501	(897 440)	(0.51)	
Grants & subsidies paid	198 126	264 460	(66 334)	(25.08)	Payment of only one public benefit organisation (SPCA)
Contracted services	55 724 911	59 861 338	(4 136 427)	(6.91)	The following has contributed significantly to the increase: Audit fees, Consultation and Development, Insurance and telephone costs
General expenses	138 913 459	152 473 407	(13 559 948)	(8.89)	The actual expenditure was offset against the respective cost centres' internal recoveries
Inter- departmental charges	0	142 497 169	(142 497 169)	(100.00)	
Contribution to provisions	3 851 760	3 995 695	(143 935)	(3.60)	
Transfers from provisions	(4 287 233)	(1 149 008)	(3 138 225)	273.12	Offset of annual depreciation.
Amounts charged out	0	(143 156 697)	143 156 697	(100.00)	The actual expenditure was offset against the respective cost centres' internal recoveries
Total Expenditure	862 965 259	840 707 759	22 257 500	2.65	
Gains/(Loss) on sale of assets	(37 213)		(37 213)		
NET SURPLUS/(DEFICIT) FOR THE YEAR	532 998 205	(51 651 803)	584 650 008		

APPENDIX E (2)
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual R	2009 Under Construction R	2009 Total Additions R	2009 Budget R	2009 Variance R	2009 Variance %	Explanations of significant variances greater than 5% versus budget
EXECUTIVE & COUNCIL							
Executive & Council	619,679,078	141,897	619,819,776	303,068,977	216,609,101	71.47%	
	519,679,078	141,897	519,819,775	303,068,977	216,609,101	71.47%	
FINANCE & ADMINISTRATION							
Chief Financial Officer	44,326,126	87,869	44,326,896	26,187,916	11,364,828	-43.40%	
Financial Planning	328,879	-	328,879	587,714	(258,835)		
Income and Revenue Management	169,464	-	169,464	-	169,464		
Information Technology (Computer Service)	868,316	-	868,316	1,351,700	(683,384)		
Property services	13,369,447	87,869	13,457,307	24,046,501	(10,591,194)		
Administration & Legal Service	-	-	-	-	-		
ROAD TRANSPORT							
Vehicle licensing & testing	36,789,586	-	36,789,586	220,407,000	-183,617,414	-83.31%	
Roads & stormwater	36,789,586	-	36,789,586	220,407,000	(183,617,414)		
Roads other	-	-	-	-	-		
COMMUNITY & SOCIAL SERVICES							
Libraries & archives	1,637,688	-	1,637,688	30,475,000	-28,837,311	-94.65%	
Museums & Art Galleries	62,150	-	62,150	1,143,000	(1,080,850)		
Cemeteries & crematoriums	71,731	-	71,731	1,316,000	(1,246,269)		
	1,623,769	-	1,623,769	28,015,000	(26,391,232)		
PUBLIC SAFETY							
Fire & Rescue	11,847,269	3,265	11,850,531	92,616,000	(80,765,469)	-77.24%	
Public Safety Other	3,625,572	3,265	3,628,837	15,931,364	(12,302,527)		
	8,361,795	3,265	8,365,066	34,076,364	(25,710,300)		
ENVIRONMENTAL PROTECTION							
Environmental Protection	-	-	-	2,687,000	(2,687,000)	-100.00%	
	-	-	-	2,687,000	(2,687,000)		
SPORT & RECREATION							
Sport & Recreation	433,023	433,023	866,047	866,047	(0)	0.00%	
	433,023	433,023	866,047	866,047	(0)		
WASTE WATER MANAGEMENT							
Sewerage	16,119,130	-	16,119,130	250,723,000	(234,603,870)	-93.57%	
	16,119,130	-	16,119,130	250,723,000	(234,603,870)		
WASTE MANAGEMENT							
Refuse & Solid waste	7,641,178	606,410	8,247,588	55,933,000	(47,685,414)	-86.20%	
	7,641,178	606,410	8,247,588	55,933,000	(47,685,414)		
WATER							
Water Distribution	616,433,487	24,164,086	640,597,573	230,142,000	410,455,573	161.07%	
Water Purification	65,062,411	23,763,320	88,845,732	228,237,019	(139,391,287)	-61.07%	
	370,776	370,776	741,551	1,504,981	(1,183,430)		
ELECTRICITY							
Electricity Distribution	35,589,200	5,489,098	41,048,298	178,686,006	(137,637,708)	-76.73%	
Street Lighting	35,589,200	5,489,098	41,048,298	178,686,006	(137,637,708)		
SUB-TOTAL							
	710,392,540	30,814,468	741,206,990	1,350,973,539	(609,608,647)	-45.14%	
Correction of Error	-13,795,626	-	-13,795,626	-	(13,795,626)		
TOTAL							
	696,596,914	30,814,468	727,407,164	1,350,973,539	(622,466,375)		

7. ANNEXURE B: Auditor General's Report

**REPORT OF THE AUDITOR-GENERAL TO THE MPUMALANGA
LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS
AND PERFORMANCE INFORMATION OF THE MBOMBELA LOCAL
MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Mbombela Local Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages XX to XX.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Mbombela Local

Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Immovable property, plant and equipment

8. Sufficient appropriate audit evidence could not be obtained as to the existence, rights, completeness and valuation of immovable assets as disclosed in note 6 to the financial statements, to the carrying value of R1 853 543 631 for the current financial year and R1 214 503 606 for the previous financial year, due to the incomplete classification of assets in the fixed asset register. I was unable to perform suitable alternative procedures due to the poor quality of the fixed asset register, including a lack of descriptions, locations, asset numbers and/or bar codes.

Movable property, plant and equipment

9. The amount of R69 329 701 disclosed in note 6 to the financial statements as other assets differed from the fixed asset register amounting to R59 448 000, resulting in an overstatement of R9 881 701 in the financial statements.
10. Additions of movable assets as disclosed in note 6 to the financial statements were understated by R14 255 589, due to additions included at incorrect amounts in the fixed asset register. Therefore, the depreciation of these assets was also understated by an unknown amount. It was impracticable to quantify the misstatement, as the municipality's accounting records did not permit me to perform alternative procedures.
11. In terms of paragraph 84 of GRAP 17 *Property, Plant and Equipment*, an entity shall disclose the methods adopted and the estimated useful lives or depreciation rates to provide users of financial statements with information that allows them to review the policies selected by management and enables comparisons to be made with other entities. The depreciation charged for the current year on other assets as disclosed in note 6 to the financial statements was R2 127 966 and the amount calculated in the fixed asset register was R10 907 920. Therefore, the depreciation charge in the statement of financial performance and the accumulated depreciation in the statement of financial position were understated and the accumulated surplus was overstated by the difference of R8 779 954.
12. As disclosed in note 25 to the financial statements, a correction of error to the amount of R19 086 370 was made to fixed assets after a physical verification of movable assets had been performed. Due to the lack of supporting documentation, the accuracy of the correction could not be confirmed and sufficient appropriate evidence could therefore not be obtained as to the accuracy, completeness and existence of other assets to the amount of R19 086 370, as the amount was not assigned to any identifiable assets and supporting schedules could not be provided in respect of this adjustment. I was unable to perform suitable alternative procedures.
13. My opinion on property, plant and equipment was modified for the period ended 30 June 2008, due to a lack of supporting documentation. My opinion on the current period financial statements is also modified because of the possible effect of this matter on the comparability of the current period figures and the corresponding figures for property, plant and equipment, disclosed in note 6 to the financial statements.

Intangible assets

14. Assets classified as intangible assets, as disclosed in note 7 to the financial statements, did not meet the identifiability criteria of intangible assets as per GRAP 102 *Intangible Assets*. Consequently, a combination of other accounts were understated by R3 164 829 and intangible assets overstated by the said amount.

Revenue

15. Distribution losses of electricity for the 2008-09 financial year were not determined. As a result, I could not obtain sufficient appropriate audit evidence as to the completeness and accuracy of the accounting records, beyond the actual receipts recorded, and therefore revenue from the sale of electricity to the amount of R227 314 368 as disclosed in note 15 to the financial statements. The municipality's financial system did not permit me to perform alternative procedures.

Landfill provision

16. In terms of paragraph 25 of GRAP 17 *Property, Plant and Equipment*, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. A provision for landfill sites was not maintained by the municipality during the year under review as required. It was impracticable to quantify the effect of the misstatement, as no reporting information was available to determine the amount.

Qualified opinion

17. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Mbombela Local Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the Statements of GRAP and in the manner required by the MFMA.

Emphasis of matter

I draw attention to the following matter on which I do not express a qualified opinion:

Significant uncertainty

18. As disclosed in note 32 to the financial statements, the municipality is the defendant in a law-suit regarding the transfer of the land on which the FIFA 2010 World Cup Stadium is built. The municipality is opposing the interdict. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

19. As disclosed in note 25.2 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of errors discovered during the 2008-09 financial year in the financial statements of the municipality at, and for the year ended, 30 June 2008.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

20. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary budget information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

Governance framework

21. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

22. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
8	Immovable property, plant and equipment	5	2	3	3	1
9 -13	Movable property, plant and equipment	5	2	3	1	1
14	Intangible assets	5	2	3	3	1
15	Departmental revenue	5	2	3	3	1
16	Landfill provision	5	2	3	3	1

23. Due to personnel acting in key senior management positions and capacity constraints in the finance department, effective leadership, supervision and monitoring was not exercised over financial reporting and internal control.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4

Legend	
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self-assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

24. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	Y	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		N
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	Y	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 126 of the MFMA).	Y	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	Y	

No.	Matter	Y	N
Development of and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	The municipality had an audit committee in operation throughout the financial year.	Y	
	The audit committee operates in accordance with approved, written terms of reference.	Y	
	The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	Y	
7.	Internal audit		
	The municipality had an internal audit function in operation throughout the financial year.	Y	
	The internal audit function operates in terms of an approved internal audit plan.	Y	
	The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	Y	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		N
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	Y	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	Y	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.	Y	
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	Y	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	Y	
14.	SCOPA resolutions have been substantially implemented.	Y	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	Y	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		N
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets in terms of section 68 of the MFMA.	Y	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	Y	

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

25. I have reviewed the performance information as set out on pages XX to XX.

The accounting officer's responsibility for the performance information

26. In terms of section 121(3)(c) of the MFMA, the annual report of the municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

27. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
28. In terms of the foregoing my engagement included performing procedures of an audit review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
29. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Content of integrated development plan

30. The integrated development plan of the municipality did not include key performance indicators and performance targets in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

Existence and functioning of a performance audit committee

31. The performance audit committee did not review the fourth quarterly internal audit report of the performance measurements of the municipality.

APPRECIATION

32. The assistance rendered by the staff of the Mbombela Local Municipality during the audit is sincerely appreciated.

Auditor - General

Nelspruit

30 November 2009



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

8. ANNEXURE C: Municipality's performance for revenue collection

Assessment of municipal arrears and service charges

Rates and Services Charges Revenue Assessment:

Description	2008/2009 Financial Year		2007/2008 Financial Year	
	Actual	Budget	Actual	Budget
Property Rates	155,622,568	159,906,744	142,044,993	139,613,92
Electricity	227,314,368	240,087,856	181,277,960	186,092,88
Water	18,427,793	18,228,456	16,290,216	16,435,43
Refuse Removal	38,305,600	38,490,228	34,741,711	35,518,75
Sewerage	12,886,179	12,426,588	11,170,550	10,947,91
Other Charges	32,406,049	26,326,312	18,323,083	14,194,46
Total	484,962,557	495,466,184	403,848,513	402,803,38

Rates, Services and Other Debtors Assessment:

Description	Arrears		Variance	
	2008/2009	2007/2008	Amount	Percentage
Property Rates	71,877,923	60,988,176	10,889,747	18
Electricity	34,394,512	21,254,718	13,139,794	62
Water	42,721,627	26,564,313	16,157,314	61
Refuse Removal	50,634,467	40,755,308	9,879,159	24
Sewerage	9,124,932	7,605,330	1,519,602	20
Interest in Arrears	63,878,405	48,874,634	15,003,771	31
Other	30,835,746	41,998,802	(11,163,056)	-27
Total Debtors	303,467,611	248,041,281	55,426,330	22
Less: Provision for Impairment	(258,023,681)	(177,482,877)	(80,540,804)	45
Net-Debtors	45,443,930	70,558,404	(25,114,474)	-36

Annexure 427/2010

Age Analysis for Rates and Services Charge Debtors

Description	Arrears		Variance	
	2008/2009	2007/2008	Amount	Perce
Current (0-30 days)	36,951,827	29,683,406	7,268,421	
31-60 days	13,160,733	9,004,254	4,156,479	
61-90 days	13,521,149	7,339,820	6,181,329	
+90 days	208,998,156	160,014,999	48,983,157	
Total	272,631,865	206,042,479	66,589,386	

Age Analysis for Other Debtors

Description	Arrears		Variance	
	2008/2009	2007/2008	Amount	Perce
Current (0-30 days)	1,479,150	1,714,627	(235,477)	
31-60 days	650,589	1,286,114	(635,524)	
61-90 days	743,027	1,312,016	(568,988)	
+90 days	27,962,979	38,586,046	(10,623,066)	
Total	30,835,746	42,898,802	(12,063,056)	

Provision for Impairment of debts and Bad debts written off as irrecoverable:

Description	2008/2009	2007/2008	Variance	
			Amount	Perce
Provision at 01 July	177,482,877.00	135,860,699.00	41,622,178.00	
Contributions	102,015,301.91	27,633,550.10	74,381,751.81	
Grap recassification	0	14,750,551.90	(14,750,551.90)	
Bad debts written off	(21,474,498.15)	(761,924.00)	(20,712,574.15)	
Bad debts recovered	0	0	-	
Provision at 30 June	258,023,680.76	177,482,877.00	80,540,803.76	

Remarks:

Annexure 427/2010

The total rates and services charge income generated during 2008/2009 financial year amounts to R484.9 million, at a budget was R495.5 million which indicates an underperformance of R10.5 million. The underperformance of R10.5 million is due to an additional electricity tariff increase granted to Eskom by the National Energy Regulator of South Africa in June 2008.

The debtors book of the municipality has increased by R55.4 million (22%), at an average of R4.6 million per month to R258 million and R251.2 million of the debts is older than 90 days. The increase in debtors is mainly due to internal administrative weaknesses and socio-economic factors such as economic recession and debt collection by-law mainly due to factors mentioned above and the change on an accounting policy for provision of impairment of debt accounting standards as approved by the Minister of Finance for implementation by municipalities. Irrecoverable debts are due to various reasons, inter alia; indigency, incorrect billing of Dwaleni, Phathwa and Backdoor settlements etc.

In order to turnaround the revenue management situation which prevailed in 2008/2009 financial year, the following

- (a) The debtors book will be disintegrated (breakdown), analysed and cleansed to determine the collectability of debts;
- (b) Appoint debt collection and tracing service providers to assist with collection of the collectable debts;
- (c) Intensify enforcement of credit control measures in accordance with a revised credit control and debt collection by-law;
- (d) Reconfigure and capacitate revenue management and credit control and debt collection divisions;
- (e) Implement revenue protection strategies, inter alia; meter and customer audits, replacement of faulty meters, and
- (f) Implement a valuation roll in accordance with the requirement of the Municipal Property Rates Act, 6 of 2004.

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9. ANNEXURE D: Implementation Plan

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
MATTERS IMPACTING AUDIT REPORT						
GRAP compliance of the fixed asset register (immovable assets)/ Details not descriptive enough.	During the audit of the 2008/9 financial year, it was discovered that the municipality's fixed assets register does not comply with GRAP 17 in that assets are not appropriately classified in categories i.e. Land & Buildings, Infrastructure, Community, Heritage & other. Furthermore some of the immovable assets recorded in the register could not be tested for existence, completeness and valuation as they are not recorded in details (<i>i.e. showing the location of the asset, acquisition date and depreciation rate etc</i>).	Management should ensure that assets recorded in the FAR, especially immovable are recorded in as much details as possible <i>i.e. locality, acquisition date and depreciation rate in order for such assets to be re-calculated for completeness, valuation & tested for existence</i>	We are not in agreement with the first part of the finding which states that the asset register does not appropriately classify asset categories. The immovable asset register make use of codes to classify or categorize assets in accordance to Grap 17 asset categories. <u>Annexure AR701</u> and <u>ANNEXURE AR702</u> have been attached for reference on the illustration of the codes used. We are in agreement with the second part of the finding which reflects that detailed information is not provided however the a service provider has been appointed to compile Grap compliant asset register by April 2010	Management comments noted, however the insufficient details in the immovable fixed asset register makes it impossible for us to physically verify the assets; therefore we are unable to determine the existence, completeness and valuation of these assets. Therefore the matter results in a qualification on immovable assets.	The immovable assest register is is currently being updated in accordance to the requirements of GRAP 17. the following activites will be undertaken: Unbundling of infrastructure as at 30 June 2008, Obtain the methodology for determining fair value and effective date of valuation, Valuation of Land and Buildings and identifying invetsment property, Identify Work in Progress and capital commitments	30-Jun-10

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
Misclassification of other land and buildings acquired during the year	The additions/acquisitions of other land & building disclosed in <i>NOTE 6</i> to the annual financial statements have been understated	Management should ensure that acquisitions of other land and buildings are recorded in the AFS at the correct amounts.	We are not in agreement with the audit finding for the following reasons; - GRAP 17 states that assets need to be componentised, hence the Building was capitalised together with the legal fees as the purchase price i.e. R10 800 000 + R42 543.89 = R10 842 543.89 asset number CRR000000000149 Office Building; - The land bought from Hans Geldenhuys trust was capitalized under other assets at R2 013 909.21 asset number CRR000000000134 Land Fig tree street. This amount lies on note 6 under OTHER ASSETS R34 085 294.00 • Additions are not understated as all of them are accounted for as per appendix B and C as well as for note 6. See Venus additions' below of R710 392 540.37 = R679 478 091 + WIP R30 914 449.	Finding still valid, reason being why the land bought was recorded under OTHER assets whilst there is a separate line for Land & Building to which all acquisitions of land & buildings should be accounted. The follow up was made on the 30 October 2009 and management agreed to correct the AFS regarding the land and buildings line items as this amounted to a misclassification. Finding included in qualification on immovable assets	The process of updating the immovable asset register will ensure proper classification and compositisation of immovable assets in accordance with Grap 17	30 June 2010
Depreciation Rates used on the FAR are different from the Municipal Accounting policy	While recalculating the depreciation charge and the accumulated depreciation since acquisition of the asset, to ensure accuracy of the recorded on the financial statements, It was noted that the Depreciation rates used on the fixed asset register does not correspond with the Municipal Accounting policy(Ref: Note 1.7 of the Financial statements).Refer below for evidence obtained:	Management should ensure that the depreciation is accounted with useful lives as required by the Municipal Accounting policy and the original appendix to GRAP 17	We are in agreement with the finding : The immovable asset register is in process of verification, unbundling, accounting and disclosure in terms of Grap 17;The process of updating the immovable asset register will also address such issues of reviewing useful lives and correcting thereof. Note has been taken and an assumption that the audit finding will be incorporated into the overall audit finding on immovable assets	Management comment noted, however exception still stands. This finding has been incorporated in the qualification on immovable assets	Updating of immovable and movable asset register will ensure that the correct depreciation rates are used in line with the accounting policy and accounting standards	30 June 2010

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
Assets acquired not recorded in the FAR as well as additions recorded at incorrect cost of assets	The following assets were purchased during the year but were not recorded or recorded at incorrect cost prices in the FAR, therefore the completeness and valuation of the assets cannot be confirmed	Management should ensure that all assets acquired/purchased are recorded in the FAR timeously and monthly reconciliations of the assets register are performed.	We are not in agreement with the finding for the following reasons; In the terms of the assets management policy, any asset acquired with a value of less than R10 000.00 is not regarded as a fixed asset to be capitalised and included in the fixed asset register. The fixed asset acquired with value of more than R10 000.00 during the year under review listed on the finding have been included in the fixed asset register, however because of the asset descriptions used on the fixed asset register which are not precisely the same on the source documents it will be difficult for the Auditors to alone verify the inclusion of this assets on the register. The request is that let the Auditor responsible for audit of this assets and our Asset Management Accountant sit together so that our Accountant can be able to show him/her how to get this assets on the register	Finding remains valid as some the assets were located on the register, however the asset on the register have been recorded using different descriptions and have been captured at cost prices (excl. VAT) which are different from those as per the source documentation, hence this could have a negative impact on the calculation of depreciation at year end. Note: The finding on the incorrect values of capturing assets acquired during the year, has been projected to determine the likely misstatement, and the result is an understatement of R14 255 589. Management should take note that an assets becomes an asset when it meets the definition of an assets as described in GRAP 17, therefore the practice of not capitalising assets with a value of less than R10 000 is not in line with GRAP 17 and the municipality is urged to amend their fixed asset policy accordingly.	Invoices have been extracted for all acquisitions/ purchases and will be verified with the information recorded in the movable asset register and corrections be made for any differences thereof. The updated movable asset register and the venus asset register is currently being reconciled per asset item in order to identify the discrepancies per asset.	26 February 2010

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date						
Depreciation	The accuracy of the depreciation amounting to R36 937 323 disclosed in the statement of financial performance could not be verified because the fixed assets register on immovable assets does not have column for depreciation. We further noted that the depreciation disclosed in Note 6 of the financial statement does not agree with the depreciation recorded in the fixed asset register for movable assets: <table><tr><td>Depreciation (Note 6) R</td><td>2 127 966</td></tr><tr><td>Depreciation (FAR) R10 907 920</td><td></td></tr><tr><td>Difference</td><td>R 8 779 954</td></tr></table>	Depreciation (Note 6) R	2 127 966	Depreciation (FAR) R10 907 920		Difference	R 8 779 954	Financial statements and fixed assets register should be amended accordingly	We are not in agreement with the finding for the following reasons:The depreciation amount of R 10 907 920 is included on the depreciation amount of R36 937 323, however due to the fact that our fixed asset register is still under construction, the amount of R10 907 920 cannot be easily identified and linked to "other assets", however any corrections resulting from the compliance with GRAP 17 have been done through a correction of error (Note 25) in line with GRAP 3.	Management comment noted, however we do not agree with the comments because moveable assets were physical verified during the year under review and the depreciation thereof should agree with that one disclosed in note 6 of the financial statements. Therefore the depreciation as disclosed in the statement of financial performance could not be verified for its accuracy	The process of updating the immovable asset register and correcting the movable asset register will address the accurate depreciation . Invoices for new acquisitions have been extracted , verified and disclosed in the asset register for accurate calculation of the depreciation.	30 June 2010
Depreciation (Note 6) R	2 127 966											
Depreciation (FAR) R10 907 920												
Difference	R 8 779 954											

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
Overstatement of Property, Plant and Equipment	The Property, Plant and Equipment disclosed in Note 6 of the financial statements does not agree with the carrying value recorded in the Fixed Asset Register (FAR)	Financial statements should be amended	We are in agreement with the finding. The property plant and equipment carrying value has been adjusted and disclosed on the statement of financial position at a carrying value of R1 937 703 716, which has been reconciled to Note 6 and Appendix B and C of the AFS. The reconciliation of the PPE attached as Annexure C is as follows : 1. Fixed assets as per the asset register R 1 941 723 467 2. Finance leased assets R 146 239 3 .Intangible asset (under development) R 90 000 4.TOTAL R 1 941 595 702 5. Less intangible assets (Note 7) R 4 255 986 Property, Plant and Equipment as per statement of financial position R 1 937 703 716	Inspected the financial statements to confirm the changes made however the reasons for the difference between the PPE as per note 6 and FAR is not justifiable as moveable assets were physical verified and an adjusting journal entry has been put through	On completion of the refinement movable asset register and updating of immovable asset register, both register must be uploaded to the financial system in order to have consistency with the carrying values in the trial balance and the fixed asset register	30 June 2010

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
Correction of error – Journal entry after assets verification	During the 2008/9 financial year, it was discovered that a correction of error amounting to R19 086 370 was made to fixed assets after a physical verification of assets was performed. However the adjustment of the R19 086 370.00 could not be assigned/traced to any identifiable assets, hence its accuracy and completeness could not be verified	Management should ensure that all adjustments made relating to assets are assigned to identifiable assets in order to ensure its accuracy and completeness	We are not in agreement with the audit finding for the following reasons; • A physical asset verification was done as per GRAP 17 guidelines to determine the real state of our movable assets, to account for, and barcode, each and every movable asset in Mbombela Local Municipality . • As the book entries and verification of the previous years asset register could not be relied upon, and as it was qualified by the AG in the past, we wrote all movables assets on the old assets register off and brought in the new verified asset register as per GRAP 17 requirements . • To be able to do this transaction on the General Ledger, we ghad to make a "correction of error" entry per journal into the General Ledger of R18 940 131.00 . • This amount was determined as follows: (a) Old Asset Register Qualified by AG R1 922 873 332 (b) Minus: New Asset Register Verified & counted 2008/9 R1 941 959 702 R19 086 370 Less Journal error Correction to GL R(18 940 131) Finance Leased Assets carrying value R146 249 Difference between Old FAR & New FAR R19 086 370 Plus: Journal J00 365(Reversal of J00 360) R140 486.00 Plus: Website under development R90 000.00	Management comment noted, however a further question was raised at the SC meeting on the 30 October 2009 as to why the carrying amount of movable assets in the notes to the AFS i.e. NOTE 6 doesn't agree to the carrying amount of the fixed asset register whilst a journal entry has already been passed to correct the error.	Reconciliation of the updated movable asset register with the venus asset register per asset/ item and uploading of both asset register to the financial system	30 June 2010

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
			R19 316 856.00 • Factors that played a role in the "Correction of Error" on assets were: (a) New valuation on the asset values/book value of the verified assets. (b) Depreciation recalculated over the new life term as per GRAP 17 on these verified. (c) Accumulated depreciation re - calculated as per GRAP 17 . • To implement the new GRAP 17 standard, there will always be an "correction of error" entry as to align the old qualified asset register in the GL with the new GRAP 17 guided asset register. • Assets within the new asset register can be audited and tested by the AG for accuracy and completeness.			
Overstatement of Intangible assets	According to GRAP 102 paragraph 14, a municipality's right is granted in terms of a statute. The right arising from the statute does not qualify for recognition as an intangible asset in terms of the standard, because the cost or fair value of the right to levy taxes can not be reliably measured or there might be a cost associated with exercising the right granted in terms of the statute, for example the preparation of a valuation roll to levy property rates. However during the audit of the 2008/9 financial year, it was discovered that intangible assets have been overstated in that items which do not qualify to be accounted for	Management should ensure that compliance with GRAP 102 - Intangible assets is adhered i.e. recognition criteria's are met before an assets is accounted for as an intangible assets	We are not in agreement with the finding for the following reasons: Computer software is an intangible asset. Most, if not all of the assets listed in this audit finding, are computer programmes and management has confirmed that the assets are still in use. Unfortunately the asset descriptions are not always clear from the asset description, which may have resulted in this audit finding. Paragraph 05 of GRAP 102 states the following: - <i>"Some intangible assets may be contained in or on a physical substance such as a compact disc (in the case of computer software), legal documentation (in the case of a</i>	Management comments noted, however the finding still stand as most if not all the items listed on the finding don't qualify to be accounted as intangible assets as per the GRAP 102 standard	Intangible asset description to be corrected and assets which do not meet the requirements of Grap 102 to be removed and be treated in accordance with other accounting standards if requirements are met	30 June 2010

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
	as intangible assets have been included on the FAR as intangible assets.		<i>licence or patent) or film. In determining whether an asset that incorporates both intangible and tangible elements should be treated under the Standard of GRAP on Property, Plant and Equipment or as an intangible asset under this Standard, an entity uses judgment to assess which element is more significant.</i> <i>For example, computer software for a computer-controlled machine tool that cannot operate without that specific software is an integral part of the related hardware and it is treated as property, plant and equipment. The same applies to the operating system of a computer. When the software is not an integral part of the related hardware, computer software is treated as an intangible asset."</i>			
Distribution losses not submitted - Electricity	Distribution losses of electricity for 2008/9 financial year have not been submitted.	Information should be appropriately filed to allow effective monitoring of events, activities, and transactions and to allow prompt reaction when the information is required. Management should monitor the distribution losses on a month to month basis and follow up unusual variances.	We are in agreement with the finding for the following reasons: The electrical distribution network is designed and operated for technical losses of 7%. However, no recent analysis of the network has been done. Therefore, no submission of losses was made.	Management comments noted.	1) A methodology/system is being developed to determine the technical losses, 2) The technical losses and their categories (inherent and operational) will then be determined, 3) Execute plan of action to reduce the losses to 7%.	Item1_2009/10; Item2_2009/10; ; Item3_2010/11
Distribution losses not submitted - Water	Distribution losses of water for 2008/9 financial year have not been submitted.	Information should be appropriately filed to allow effective monitoring of events, activities, and transactions and to allow prompt reaction when			Water Conservation and Demand Management Strategy is in the	Ongoing

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
		the information is required. Management should monitor the distribution losses on a month to month basis and follow up unusual variances.			process of being developed to adress partly the issue. The strategy will be entailing the implementation plan where zoning, domestic meters will be installed for better monitoring. Valves will be looked at during the same period of implementation including installation for the truck filling points. Education is part of the strategy where people will be informed as how they can limit the losses for their internal leaks. This is all budgeted for the year 09/10 financial year. Additional to the latter the section is looking at installing the scada system for improving monitoring . A plan to have leak detection system is being looked at by the section as part to assist the same.	

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
Non-disclosure of landfill provision	In terms of paragraph 25 of GRAP 17: <i>Property, plant and equipment</i> , the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. A provision for landfill sites was not maintained by the municipality during the year under review as required. It was impracticable to quantify the effect of the misstatement, as no reporting information was available to determine the amount	Financial statements should be amended to include the provision of landfill site.	We are in agreement with the finding, A note has been included on the financial statements with regard to the landfill site provision in compliance with IAS19.	Management comments noted, however, the amount of the provision should also be determined and disclosed in terms of GRAP	Calculation of the future value of rehabilitation costs as at 1 July 2008, Capitalisation of the rehabilitation costs to the cost of the landfill sites. Correction of error be made	30 June 2010
COMPLIANCE WITH LEGISLATION (NON AFS)						

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
Reporting of irregular, fruitless and wasteful expenditure	In terms of section 32(4) of MFMA, the accounting officer must promptly inform the Mayor, MEC for Local Government in the province and the Auditor-General, in writing, of (a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure (c) the steps that have been taken to recover or rectify such expenditure and prevent recurrence of such expenditure. The municipality incurred, as disclosed in note No.29 of the financial statements, irregular, fruitless and wasteful expenditure, however there is no evidence that they have reported such expenditure as required by the MFMA:	The accounting officer must ensure that the comply with rules and regulations	Youth Summit & Excellence awards. We acknowledge that irregular expenditure was incurred, however the provisions of section 32 of MFMA were adhered to, in that letters were forwarded to the Executive Mayor, MEC for Co-operative Governance and Traditional Affairs in the province and the Auditor-General. Refer to attached letters. Erroneous payout of performance bonuses. We acknowledge that irregular expenditure was incurred and reporting is not yet done as contemplated. However, the intention is to report this fruitless, wasteful and irregular payment as soon as the requirements of section 32(b) and (c) are completed, in that Legal Services department is currently dealing with the matter to ensure that the accounting officer report accordingly as to "(a) whether any person is responsible or under investigation for such unauthorized, irregular or fruitless and wasteful expenditure (c) the steps that have been taken to recover or rectify such expenditure and prevent recurrence of such expenditure".Due to the nature of the irregularity, the matter was referred to SALGA to express an opinion and source professional advice as to the appropriate mechanism [section 32(b)] to deal with the matter. The intent is to finalise this matter by November 2009, of which the accounting	Management comment noted, however the finding remain valid as there was non compliance with MFMA. Proper disclosure in the financial statements should also be made in terms of Section 125(2)(d)(i) - (iii).	Internal Audit section has drafted memorandums and letters (on behalf of the MM's admin) addressed to required stakeholders in view of complying with the aforementioned provisions of MFMA. Following signature by the Acting MM, documents will be forwarded to the Executive Mayor, MEC and Auditor-General.	30 June 2010

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
			officer will promptly comply with the provisions of section 32 by reporting accordingly. Insurance excess for rented car partly insured We acknowledge that fruitless & wasteful expenditure was incurred. The municipality will ensure that reporting of all fruitless & wasteful expenditure is done, as contemplated above. Salary payments to dismissed employee We acknowledge that fruitless & wasteful expenditure was incurred. Since full payment of a monthly salary was made to an official who left the services of the municipality during the month, 18 February 2009, however the matter was referred to Legal Services for collection of the portion of salary that relates to the period after resignation. Thereafter, reporting will be done in terms of all provisions of section 32 of MFMA.			
Performance Audit Committee: Monitoring and Review of PMS	In terms of Regulation 2 (a) a municipality must annually appoint and budget for a performance audit committee consisting of at least three members, the majority of which may not be involved in the municipality as a councillor or an employee, and Reg 14 (a) and (b) states the following: Reg 14 (4) (a) A performance audit committee must— (i) review the quarterly reports submitted to it in terms of sub regulation (1) (c) (ii);ii) review	The performance audit committee must regularly review the municipality's performance management system and make recommendations to the council.	We are not in agreement with the finding for the following reasons : The audit committee did not only review the second quarterly performance report. The first and third quarterly performance reports were reviewed and recommendations were made during the audit committee meetings. Attached herewith are the minutes of the meetings in which first and third quarter reports were reviewed and thoroughly discussed. The audit committee did not review the fourth quarter performance management reports in context of a	Inspected the minutes audit committee meeting and confirmed that they have discussed second and third quarter of performance report, however it should be noted that they are required to discuss performance information per quarter. There is no evidence that the performance audit committee complied with Regulation 14 (4) (a) (ii)-(iii)	The intention of Internal Audit section (in conjunction with Corporate Strategy) is to ensure existence of all quarterly Performance Audit Committee meetings during 2009/10 financial year. In so doing, all performance information reports will be discussed	Dependent on finalisation of SDBIP and periodic PMS reporting thereof.

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
	the municipality's performance management system and make recommendations in this regard to the council of that municipality; and(iii) at least twice during a financial year submit an audit report to the municipal council concerned. (b) In reviewing the municipality's performance management system in terms of paragraph (a) (ii), the performance audit committee must focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the municipality are concerned. However during the audit of performance information in the municipality the following was determined:) During the period under review the audit committee reviewed only the second quarterly performance report and there were no other reviews performed during the period. (ii) There were no reviews and recommendations made to council by the performance audit committee with regards to the municipality's performance management systems in terms of Reg. 4 (a) (ii)		formal audit committee meeting. This was mainly because performance management consultative processes (finalization of audit report) could not reach satisfactory point to enable presentation to the audit committee. During the consultative process, major business changes in the form of strategic intervention (initiated by the Executive Mayor) took place whereby new performance management systems (e.g SDBIP and reporting requirements) was proposed and the process plans were constructed to involve MMC (and other delegates) in the review process. The Municipality has adopted change management processes, and from that end, discussion of the fourth quarter PMS would have added no value to the operations. The said intervention strategy brought the fourth quarter PMS consultative process to an abrupt halt since management information and reporting had changed. This matter was reported to the chairperson of the audit committee for consideration. Note that the Municipality has constructed process plans for 2009/2010 that integrates issues of budgeting, IDP, performance and general management		and recommendations will be made to the Council where necessarily. Unfortunately, there was not PMS reporting (and approved SDBIP) during the first two(2) quarters of 2009/10 of which rendered impossible for Internal Audit section to ensure that Performance Audit Committee reviews PMS reporting. However, should any PMS reporting done during 2010, the Unit will ensure that the Municipality comply with the said legislation.	
Comparison of current and previous years targets	In terms of section 46 of the municipal systems act 1) A municipality must prepare for each financial year an annual	Management should consider the inclusion of comparison between the current and previous financial year performances in order to aid	We are partially in agreement with the finding for the following reasons. It is true that there is no comparison of 2008/2009 performance with	Management comments noted, however the finding remains valid as comparison of the municipality's current	A comparison between the achievements of 2008/2009 financial	31 August 2010

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
	report consisting of - (a) a performance report reflecting ,(i) the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year; ii) the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and (iii) measures that were or are to be taken to improve performance , However the following was noted from the municipality's annual performance report. • No comparison of the municipality's current financial year's targets to that of the performance in the previous financial year. • No reflection of the the development and service delivery priorities and the performance targets set by the municipality for the following financial year.	for easy understanding of the reported results by the user of the reported performance.	2007/2008 targets as required by section 46 of MSA. This comparison will be done in 2009/2010 annual performance report on comparable priorities and targets. However, Section 46 of MSA does not require development and service delivery priorities and the performance targets set by the municipality for the following financial year	financial year's targets to that of the performance in the previous financial year has not been disclosed	year and 2009/2010 financial year will be reflected in the annual performance report of 2009/2010	

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
Targets not measurable	In terms of regulation 12 of the municipal planning and performance management regulation.—(1) A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it. A performance target set in terms of sub regulation (1) must— be practical and realistic; measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set)measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set, be commensurate with available resources; be commensurate with the municipality's capacity. However the municipality's set target could not be ascertained if they were practical and realistic and if they were commensurate with the available resources together with the municipality's capacity as the set targets were not met by the municipality during the financial year.	Management should give consideration to the available resources when setting targets, and further consider the practical and realistic achievements of the set targets.	We are in agreement with the finding. The challenge has been resolved in the 2009/2010 IDP.	Management comments noted, however the finding remains valid as the targets not measurable for the current year.	Only projects that are budgeted for will constitute annual targets for 2010/1011 financial year that will appear in the IDP. This will ensure that all the targets are measurable and commensurate with municipal resources.	31 May 2010

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
No key performance indicators, objectives and target	In terms of section 26 of the municipal service act, an integrated development plan of a municipality must reflect the key performance indicators and performance targets determined in terms of section 41 of the act. The integrated development plan of the municipality did not reflect the key performance indicators and performance targets in the following priorities	Management should ensure that key performance indicators and targets are set in order to be able to measure the performance of the municipality.	We are in agreement with the finding. The issues have been addressed in the 2009/2010 IDP.	Management comments noted, however the finding remains valid as there were no key performance indicators, objectives and target for the current year	the Key performance Indicators will be relected in the 2010/2011 revised IDP	31 May 2010
OTHER IMPORTANT MATTERS: COMPLIANCE WITH LEGISLATION (NON AFS)						
Compliance: Section 53 Roles and Responsibilities	Requested the job or task descriptions of the each political structure and each political office bearers of the municipality as per section 53 of MSA No. 32 of 2000 and no documents were received from the HR.	Job/task descriptions for all political structures and political office bearers must be available at HR section.	The roles and responsibilities of the Political Office bearers and each political structure were tabled to council in the previous financial year, where it was resolved that these will be work shopped with all the Councillors before Council approves them. A workshop facilitated by the Office of the Executive Mayor and Risk Management was held on 16 October 2009, where the register was discussed and it was agreed that it should be tabled to Council at the next meeting, after all inputs are consolidated. Council is still to sit and approve the amended roles and responsibilities. The Office of the Executive Mayor is currently consolidating all the inputs received from the workshop above.	Management comment noted, however exception still stands.	The register of roles and responsibilities of the Political Office Bearers and each political structure will be atbled at the next Council meeting in February 2010	To be finalised end of February 2010

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
Retention policy not in place	The municipality does not have skills retention policy in place.	Policy on skills retention and monitoring of the competency of staff to ensure that skilled and competent staff are retained and assessed should be developed and implemented.	We are in agreement with the finding for the following reasons: Corporate Services directorate has formulated Human Resources Strategy which is under implementation in order to ensure that all matters pertaining to HR management and development receive attention. Establishment of Skills Retention Policy is included in the strategy and a draft policy will be available at the end of July 2009. We believe that you will afford us an opportunity to available the policy document for audit purposes before the end of your final statutory audit. The policy is scheduled for submission to Council during November 2009 for adoption.	Management accepted risk in that there is no skill policy in place,hence the exception remains valid.	A draft Skills Retention Policy was tabled at the Local Labour Forum Meeting held on 15 October 2009 were it was resolved to refer the said policy to a Policy Workshop. The matter remains outstanding and is regarded as work in progress.	To be finalised end of May 2010 for implementation 1 July 2010
Inventory - Submission of council approval	Inventory list amount to R62 074.32 for slow-moving and obsolete stock were identified during year 2003/2004 financial year, however the municipality has not yet submitted the list to the council for approval or for the write offs:	Asset management policy should be developed and adhered to	We are in agreement with the finding for the following reasons: The list was compiled with the sole intention of ensuring that all slow-moving and obsolete stock items are disposed as a matter of urgency. Lists of all reported items were submitted to the Financial Services Committee (Council) for approval. To this end, the arrangement was that all stock items from various municipal divisions should not be sold through separate actions. The delay so far was as a result of ensuring that all internal control procedures are appropriately undertaken and that asset management unit consolidates all relevant information to derive suitable date for an auction to take place. Attached herewith, is	Management accepted risk, hence exception remains valid.	Fair valuing of redundant assets and inventory for all the items that will be auctioned. Council approval for the auction to be conducted before the end of the financial year.	31 May 2010

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
			a list of all items which were submitted to the FINCOM for approval			
Adjustments of grants	There has been material adjustment of grants disclosed in Note 16 of the financial statements. The reasons and supporting documentation have not been provided; therefore we could not verify the validity and accuracy of the adjustments made	Supporting documentation for adjustments should be filed in the audit file supporting financial statement figures	1. The grants reconciliation schedule (<i>annexure b</i>) provides details on the movement of the grants and the journals passed during the year for adjustments of grants is attached as (<i>annexure b</i>).	Management comment accepted and we have inspected the journals passed for the adjustments made on the grants however journal for R1 178 714.61 for housing have not been provided, therefore the adjustment made for provincial grants have not been resolved	A credible audit working paper file will be created and signed by the Chief Financial Officer to support all figures in the annual financial statements in accordance with the National Treasury circular no 50.	31 August 2010
No assessment of impairment was performed on Assets during the year under review	In terms of GRAP 21. (18)An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset. Through inquiry with management and inspection of the financial statement confirmed that no assessment was performed by the Municipality to determine whether there is any asset which may be impaired during the year	Management should assess at the end of each reporting date whether there is any indication that an asset may be impaired as stated by paragraph 18 of GRAP 21, The followings conditions should consider on assessment of impairment: External sources of information, (a) Cessation, or near cessation, of the demand or need for services provided by the asset. (b) Significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates. Internal sources of information (c) Evidence is available of physical damage of an asset. (d) Significant long-term changes with an adverse effect on the entity have taken place during the period,	We are in agreement with the finding. The assessment of impairment will be conducted in 2009/10 financial year	Management comments noted, however the finding will stay as no impairment test was done at year-end	The condition assessment that informs the impairment of an asset has been done and impairment test will be done at year end	30 June2010

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		or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date. (e) A decision to halt the construction of the asset before it is complete or in a usable condition. (f) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.				
Long-outstanding debts not handed over for legal action	During the testing performed on long-term debtors it was noted that long-outstanding debtors were not handed over to debt collectors. As per credit control policy for all accounts in arrears, legal action must be must be instituted. From the testing performed on subsequent payments it was noted that most of the debtors did not pay their accounts for 60 days. From the discussion with N Zwane (Credit Control Department) only few debtors were send to debt collectors due to insufficient information received from the treasury services and housing and sundry account. It was also noted that the balance of	Management should ensure that all long-outstanding debtors that are over 60 days are handed over to debt collectors. This can only be done by ensuring that information and communication process is effective between the departments involved (Finance, Credit Control and debt collection). Management must also ensure that they keep updating their records for all their debtors to make it easy to follow up with the debtors when payments are not made and when legal action are taken against them.	We are partly in agreement with the finding for the following reasons: The list of accounts mentioned above emanates from lease and rental agreements entered into by the municipality and the different lessees. As part of the Revenue Enhancement strategy that the municipality is engaging on, the investigation regarding leases and rental agreements is being conducted. This is done in conjunction with the Housing and Properties unit and the Credit Control and Debt Collection unit. The Debt Collection unit has recently been strengthened by the appointment of the Accountant Debt Collection whose immediate responsibilities include the	Management comments noted, however the issue still valid.	Arrear account to be handed over to the external service providers for collection. The debt analysis processes to identify the categories of outstanding debtors be finalised. The write off of prescribed debt as per the debt write off policy.	On going process

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	housing debtors include houses that were sold by their owners but in the Municipal records these houses still belongs to the old owner, this makes it difficult for legal action to be taken for those debtors.		investigation and finalization thereof mentioned in the bullet above.A full report regarding the accounts affected will be tabled before Council to request for the approval of writing off of these accounts if they are found to be prescribed debt that needs to be written off. This report will also give a light on those accounts which are collectable and the relevant collection procedures will be followed.			
Doubtful debts- no legal action taken against debtors.	According to the credit control policy of the municipality, the municipality may when a debtor is 60 days in arrears, commence legal action which includes summons, final demands and garnishees against a debtor	It is recommended that the above debtors be handed over to debt collectors, or that the amounts be written off should they prove to be irrecoverable, especially the ones of which the accounts are currently inactive because they are currently accumulating interest on the balance owing which increases the debtor's balance in the books of the municipality	We are partly in agreement with the finding for the following reasons; The majority of the above mentioned accounts are either closed or inactive accounts, wherein final demand notices for arrears are forwarded to clients, if no response is received, those accounts are handed over to the internal debt collection whose responsibility entails the perusal of those accounts to check for prescription of debt, the debt is then handed over to external debt collectors for collection. 2. Once a report is submitted by the external debt collector, the internal debt collection unit prepares a report for accounts to be written off against the provision for bad debts to Council for consideration to be written off. Thereafter if payments are received in respect of an account which has already been written off as irrecoverable the payment must be allocated against bad debt recovered. 3.A draft policy of the writing off of	Management comment has been noted, however the exception still stands.	All inactive accounts be properly analysed and the credit control and debt collection policy be applied accordingly to ensure that these accounts are closed. The level of reporting be improved for all cut offs and notices issued during the year on a quarterly basis.	30 June 2010

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			bad debts as irrecoverable will be submitted to Council for approval. The policy will ensure that all outstanding debt is evaluated in order to determine the possibility of realizing such income as revenue. Also ensuring that where it is evident that a particular debt cannot be generated into revenue, such a debt be procedurally regarded as irrecoverable and subsequently written off as irrecoverable.			
Suspense account	According to the MFMA Act 56 of 2003 S98(a) Monthly reconciliation of revenue and accounts - The accounting officer of a municipality must take all reasonable steps to ensure that all revenue received by the entity including revenue received by any collecting agency on its behalf, be reconciled on a monthly or more regular basis. 1. There was no movement in the current year for the following votes that are included in the suspense account. 2. Only nominal amounts have been cleared in the current year for the following votes	It is recommended that all items on the suspense account be cleared on a monthly basis, a reconciliation of the suspense account per vote should be prepared monthly and reviewed, there should be segregation of duties between the person preparing the reconciliations and the one approving,	I am in agreement with the finding. Management will put measures in place during 2009/2010 financial year to ensure suspense accounts are reconciled and cleared on a monthly basis	Management comment noted, however exception remains.	A schedule of all suspense accounts will be distributed to relevant sections and be reviewed on a monthly basis for progress.	By the 10th of every month.
Provincial Grants understated	Provincial grants disclosed in Note 16.13 amounting to R4 952 320 have not been included in the capital grants disclosed in note 16 of the financial statements, therefore revenue for capital grants have been understated.	Independent checks should be performed to ensure that financial statements figures are accurate	We are not in agreement with the finding based on the below mentioned reasons: The amount of R4 952 320 relates to operating expenditure of the provincial grants and not capital grants. 2. - The grants reconciliation schedule is attached for reference. The amount of R4 952 320 represents operating	Management comment noted however we are not in agreement with this treatment as this is an unconditional grants, therefore accounting standard for unconditional grants should be followed. The amount received from	Development of a system to support Gamap 9 requirements. Address the issues raised as a correction of error. Revenue to be updated on a	30 June 2010

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			expenditure on operating grants received and therefore it cannot be regarded as revenue because the full allocations received for the specific financial year is recognized as revenue in the year in which the allocations were received, should we recognize the operating expenditure it would then result in double accounting of the allocations or grants as revenue. The operating expenditure as per the grants schedule provided is shown just for internal monitoring and control purposes. The Provincial Grants are mainly unconditional grants however it has been the practice of this municipality in the past that when this grants are received are ringfenced for specific purposes and are then treated like conditional grants. The accounting entry when this grants are received, for example let us look at the Municipal Systems Improvement Grant received during the year amounting to R735 000.00, as per the grants schedule. Debit: Bank (9002022231002) R735 000 Credit: Unspent Grant liability (9002022357509) R735 000 The unspent grant liability on the Municipal Systems Improvement Grant (MSIG) at the beginning of the 200809 financial year was R480 031.07. Because of unspent	Dept Housing: Masoyi PHP amounting to R503 536.89 have not been included as revenue from grant and subsidies.	quarterly basis	

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			amount carried over of 480 031.07 and the allocation of R735 000.00 for 200809 financial year in terms of the Division of Revenue Act a general expenditure of R1 322 452 was budgeted for on the operating budget for 200809. The actual expenditure for the year from the municipal systems improvement grant amounted to R1 162 758.12, accounted as follows; Debit: General expenditure (2301101060603) R1 162 758.12 Credit: Bank (9002022231002) R1 162 758.12 At year end an amount equivalent to R1 162 758.12 is transferred from the MSIG unspent grant liability as follows; Debit: MSIG unspent grant liability (9002022357509) R1 162 758.12 Credit: Revenue - 2301102250502 (grant received for the year) R735 000.00 Credit: Provisions – 2301101140203 (with difference between 1 162 758.12 – 735 000) R421 356.00. The remaining balance on the MSIG grant of R52 272.95 will be treated as liability at the reporting date. This is how the provincial grants are treated and therefore the amount R4 952 319.52 cannot be recognised as revenue as you can see above it has been already recognized as revenue in the years in which this grants were received			

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
No approved tariffs for rentals of municipal houses	Based on the audit work performed on the list of the people who are renting the municipal houses it was found that the municipality does not have the tariffs for rental	The municipality must implement the tariffs for renting the municipal houses.	We agree with the statement, this management of lease for Municipal houses falls under Corporate Services, Facility Manager , I came in to assist when the land was acquired for housing Development in June 2008, in those properties there were Tenants, paying rent to the previous owner, after the transfer of the properties , Council entered into a month to month lease at the same tariff in order to safeguard the properties , until such time that a development plan is in place which will indicate as to which properties will remain and those that will be demolished . There is a report that will be submitted to council at the end of October for the land availability agreement with a private developer. Council took a resolution in 2005 that all municipal houses be disposed, only 5 houses have not been disposed, out of the five only 1 is being rented out to an official and the remaining four will be disposed, in line with the alienation by law which will be submitted to council in November 2009	Management accepted risk in that there is no tariff for rental of municipal houses in place, hence the exception remains valid.	Council approved policy on leasing of council owned properties in Dec 2009, under ff conditions:- 1. At market rates except when the plight of the poor demands otherwise; 2. All fees, charges, tariffs to be reviewed annually	On an annual basis: December
ADMINISTRATIVE MATTERS						

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
Petty cash - opening balance incorrect	Through comparison of the prior year closing balance and current year's opening balance in the financial statements, the opening balance of petty cash amount is disclosed as R 31 685.00 instead of the audited R140 805.00 from prior year, hence resulting to an understatement of opening balance by R109 120.00 i.e. (R140 805.00 - R31 685.00)	Management should ensure that Independent checks are performed to ensure that opening balances disclosed in the financial statements are accurate and consistent with prior year audited closing balances.	We are in agreement with the finding and the note 13 to the annual financial statements and the statement of financial position will be corrected.	Management comment noted however the financial statements is still not correct, as the opening balance amount is disclosed as R31,685.00 instead of the audited R140,805.00 from prior year and the closing balance amount is R41,935 instead of R195,570.00. The following accounts were included in the current year general ledger but not in the financial statements:	The 2007/2008 audited figures included deposits, is not petty cash, therefore 2007/2008 figures were re instated. The 2009/2010 annual financial statements would be correct with the re instatement done	30 August 2010
Bank reconciliation not reviewed by senior official	Inspected the monthly bank reconciliations of the municipality prepared during the year under review and there is no evidence that bank reconciliations were reviewed by senior officials.	Bank reconciliation must be signed by senior officials for proof of checking the accuracy of the reconciliations.	The bank reconciliation is prepared on a monthly basis and is send to the Accountant: Investments, Manager: Financial Planning and Senior Manager: Financial Planning and Budgeting on a monthly basis for review. The Manager: Financial Planning in detail reviews the bank reconciliation on a monthly basis.	Management comment noted however there are no evidence (Signature/initials of the senior official) on the bank reconciliation. Exception still stands.	Manager : Financial Planning and Senior Manager: Financial Planning and Budgeting review and sign the bank reconciliation	On a monthly basis
Overtime paid exceeds 30% of monthly basic salary	Monthly remuneration for overtime must constitute less than 30% of the employee's monthly basic salary, however it was discovered that overtime paid to some employees exceeds 30% of their monthly basic salary.	Management should print and review exception reports on overtime on a monthly basis and control the rate of overtime based on the contents of these reports. Overtime that is continuously excessive may be a result of the vacancy rate in the municipality. This could be resolved by filling the vacant positions or by keeping the vacancy rate at the prescribed acceptable rate.	We are in agreement with the findings	Management comments are noted. However, the matter will stay in the management report, due to the non-compliance to the policies	Revised overtime policy was approved by Council in April 2009 and implemented from 1 July 2009	1 July 2010

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
Investment - No quotations obtained before investment is made	According to paragraph 8.1 of the Investment Policy of the municipality: • Quotations will be invited from at least three financial institutions from the List of Approved Institutions. o In the event of one of the financial institutions offering a more beneficial rate for an alternative term, the other institutions invited to quote should be approached for their rates on the alternative term. o The quotes may need to be adjusted for any differences in transactional costs. • The Investment Officer will select the best quote in accordance with the parameters set by the Investment Committee. 1. During the audit of Investments, and with enquiry from Martinet Roux (Accountant that deals with Investments), it was noted that no quotations were obtained for new investments made. Currently the Municipality only invests with ABSA bank (except for the long term investments which are for a fixed term until 11 June 2011). Martinet Roux indicated that they are in the process of applying all the FICA requirements and this is one of the things that they must still sort out.	It is recommended that the Municipality comply with their Investment Policy and obtain at least 3 quotations and select the best option before making a new investment.	We are in agreement with the finding for the following reasons: During the audit of Investments, and with enquiry from Martinet Roux (Accountant that deals with Investments), it was noted that no quotations were obtained for new investments made. Currently the Municipality only invests with ABSA bank (except for the long term investments which are for a fixed term until 11 June 2011). Martinet Roux indicated that they are in the process of applying all the FICA requirements and this is one of the things that they must still sort out. It was discussed in the investment meetings with the CFO and other parties as a priority and is almost complete. Due to FICA requirements some signatures are still outstanding from top management.	Management comment noted, however exception is not resolved.	All FICA Requirements are complete and all signatures obtained to release investments. Quotations on interest rates are now being obtained from registered financial institutions before investments are made.	Implemented

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
Procedure manual not in place	The municipality does not have a documented procedure manual in place	Procedure manual should be drafted and distributed to all relevant staff members.	The audit finding of the Auditor General is acknowledged that not in all instances that we have manual procedures, however policies and legislation provide a guide in terms of operational procedures within the municipality. During our strategic planning for 2009/2010 budget year all Departments identified the need to review their policies and further develop procedure manuals	Management comments noted, however finding to be included in the Management report.	Procedure manuals to be developed during 2010/11 financial year	30 June 2011

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
Requisition and Order form and invoice not attached	Requisition, order form and invoice for the following payment has not been attached on the payment voucher, therefore we could not verify the validity and the accuracy of the transaction: Cheque No. Payment Date Supplier Amount 56602 17/12/2008 Mkhathswa Zane trading 59 850.00	When there is a demand, the Requesting Department/ section must complete the requisition and the requisition must be signed by the head of that department. All payments should be made after receipts of original invoice. Order forms must be completed for all goods to procured and the form must contain amongst other information the following: a) Full name and address of the supplier b) Order date c) Expenditure vote number d) Certificate by head of the department that expenditure is within the budget e) Cross reference to the approved purchased requisition f) An authorised signature	The finding of the Auditor- General is acknowledged. The root cause is acknowledged. Sufficient control activities will be implemented	Management comments accepted.	The following procedures were communicated via an global e-mail on 2 September 2009: 1) Payment Voucher Paid without an order A number of payments were identified were no orders were issued to obtain goods or services for the municipality. The risk raised by the AG included that fictitious payments can be made for goods and services that have not been ordered. To address this concern orders must be issued for all goods and services (including travelling arrangements, catering, digging of graves and emergencies) before the goods / services is rendered in order to effect payment. Payment requisitions for goods and services where orders were	On going process

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					not issued will be returned to the relevant Department for a written motivation to be approved by the MM. - The exception will be emergencies where the order must be issued within 48 hours of acquiring the goods / services. - All procurement procedures must be followed. - Please contact the Senior Manager: Supply Chain Management (Eddie Mgwenya ext 2045) regarding challenges in order to find suitable procedures to manage the process in the future. 2) Invoice not signed to acknowledge receipts of goods/service The AG identified payments where the invoices were not signed by the	

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					project manager (the person responsible for receiving the goods or verifying that a service was rendered) – the risk identified was that payments could be made for goods / services not received in good order or to the satisfaction of Council. To address this concern all invoices MUST in future be signed by the project manager before the requisition is authorised for payment. The creditor's office will verify that the invoices are signed before payment will be processed – documentation with unsigned invoices will be returned to the relevant departments.	

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
Review of a useful life of an asset	During the audit of fixed asset it was noted that the Municipality did not review the residual value and useful lives of the assets and therefore certain assets are recorded on the fixed asset register at a R0 value although the assets are still in use. In terms of GRAP 17 paragraph .61 The residual value and the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors. As request by management the following information was provided relating to Immovable asset with R0 carrying amount:	All assets with a nil book value on the fixed asset register should be identified and reviewed to determine if they are still in use. In the case of nil book value assets being used, the useful lives of these assets should be re-assessed as stated by paragraph 61 of GRAP 17 and the adjustment treated as change in estimates in accordance with GRAP 3	We are not in agreement with the finding for the following reasons: The movable assets being referred to in the audit finding will be disposed of during the 2009/10 financial year because these assets have reached their useful lives and therefore it the review of the useful lives of these assets is not necessary.	As request by management the following information was provided relating to Immovable asset with R0 carrying amount: M.4.4, However the exception still stands	Council to condone the auction to be conducted for all assets which are no longer in use and with a nil book value	31 May 2010
Trip authorizations forms not approved.	During the audit of the 2008/9 financial year, it was discovered after inspection of some trip authorisation forms that, some forms are not signed by the supervisor/fleet manager as proof that the trip was authorised prior to being taken	Management should ensure that trip authorisation forms are signed by the supervisor/fleet manager prior to trips being taken	Please note that all the vehicles mentioned in the finding are specialized waste management vehicles. These are compaction units which are used solely for waste removal. We have a special arrangement with the waste management department that given their operation we will have one trip authority for a period of 7 days and it will be signed by the supervisor. The traffic services department has been given the responsibility to stop and demand valid trip authorities from all council vehicles in the	Management comment noted, however the finding remains as we are in position of trip authorisation forms which are signed by the supervisor.	The function has now been delegated to the Fleet Manager to ensure that all trip authorizations are signed.	End of January 2010.

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Audit Query	Audit Finding	Auditor General's recommendation	Management Response	Auditor General 's response	Action Required	Completion / Due Date
			2009/10 financial year given the limited staff in the fleet management section.			
Information as per system differs with contract signed	During audit performed on long-term debtors it was noted that details of debtors per system differs with information as per contract signed.	An effective filing system should be implemented and all transactions should be backed by adequate supporting documentation. The supporting documents should be properly filed in an accessible manner. Management must also ensure that they update the system with information in respect of new contract or replacement of contract.	We are in agreement with the finding. The stand and housing debtors accounts will be verified and corrected during the 2009/2010 financial year since management has noted that there are some discrepancies on the accounts which also affect the execution of proper debt collection mechanisms.	Management comment have been noted, however exception still stands.	A register for non current receivables to be prepared. Classification as a lease and determine interest paid on an effective rate of return. Assessment for impairment and locate and file agreements	30 June 2010
Value for money	The team selected a sample of six (6) infrastructure projects and obtained the relevant documentation in respect of the selected projects for scrutiny					
IDP and Budget	In the absence of a copy of the relevant part of the IDP it is not possible to indicate how this project was identified. The team requested per letter dated 22 June 2009 the projected budget allocation and the source of funding for the selected project but no information were provided to the team.	Proper needs analysis must be performed in the identification and prioritisation of projects			The IDP will be structured in a manner that will be easier for readers to see what needs the selected projects will be addressing.	31 May 2010
Project registration on CIDB	A search was conducted on the CIDB website on the projects selected and it was established that projects were not always advertised and registered after they were awarded as per the requirement of section 38 (6)(1)(a)(i) and (ii) of the CIDB regulation of 2004.	Management should consider advertising of tenders in the CIDB website and all awarded contracts should be registered with CIDB in order to comply with the requirements of the regulations			The function is currently with Project Management Unit and it must be transferred to Supply Chain Management	1 February 2010

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Contracts not signed by Municipal Manager	Project contracts were not always signed by the municipal Manager after bids were adjudicated before the project implementation could be started in some instances contracts were signed by the municipal manager as late as 90 days after the project was awarded. Payments were made on projects implemented before the Municipal Manager could sign the project contract.	Implementation of all contracts awarded by the bid evaluation committee should only be started after all necessary documentation has been completed			Technical Services - The General Manager has been delegated to sign contract documents, and it is now a condition that contract documents will only be signed if they meet all the contractual obligations.	1 February 2010
Physical Verification	Visits to the selected projects was done by the audit team during the audit to physically verify the projects and to further observe the quality of the work done on the project, it was noted that the quality of the work was of questionable and of sub standard	Measures should be instituted to ensure that quality service delivery is obtained.			Strict measures are implemented and where poor quality is identified then the service providers are ordered to rectify poor quality workmanship. Ensure that there is adherence to quality standards at all time.	1 February 2010
Inconsistence between IDP and SDBIP	In terms of regulation 12 of the municipal planning and performance management regulation.—(1) A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it. A performance target set in terms of sub regulation (1) must be consistent with the municipality's development priorities and objectives set out in its integrated development plan, however there is inconsistency between the	Management should ensure that the indicators in the annual report, SDBIP and IDP are consistent	We are in agreement with the finding. The challenge has been addressed in the 2009/2010 IDP and draft SDBIP.	Management comments noted, however the finding remains valid as there are inconsistencies between IDP and SDBIP for the current year.	The IDP and SDBIP targets will be made consistent to allow for reporting on both documents. This will only be achieved by ensuring that the IDP document and SDBIP are finalised earlier to allow for proper editing at a time when the draft IDP document will consider all comments from	31 May 2010

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	municipality's set targets in the IDP, the SDBIP and the the reported performance targets in the annual performance report				stakeholders.	
invoice was not paid within 30 days	In terms of MFMA sec 65(e) all money owing by the municipality must be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure	Management should employ sufficient control activities suited to ensure that invoices are paid within 30 days of receipts of such invoice.	Other payment - invoices recieved directly by department, which must hand it in creditors for payment after completing and authorising a cheque requisition.	Management comments noted, however management should ensure that departments are sensitised to the fact that the invoices should be delivered to creditors department to ensure payment within 30 days as required by MFMA.	All invoices to be submitted at a central point , which is Treasury Services and a register will be kept for all invoices submitted and send to Departments for approval. Follow up mechanisms will be put in place to ensure follow up of invoices not received back within 7 days	30 June 2010